



EVOLUTION eDIFFERENCE

ENERGY STAR  **WATER**

 **AVERAGE HERS**

  **INDEX**

SCORE: 60 SENSE

CLIMATE COMMUNICATIONS LEADER

BRINGING HEALTHY HOME:

GREY WATER  **FOCUS ON WELLNESS**

RECYCLING **INDOOR airPLUS LEADER AWARD**

DOUBLE ZERO HOUSE 3.0

 **POWER OF THE SUN** **REVOLUTION**

Who We Are

KB Home is one of the largest and most recognized homebuilders in the United States and an industry leader in sustainability, building innovative and highly energy- and water-efficient new homes. Since its founding in 1957, the company has built nearly 600,000 homes for families from coast to coast. Distinguished by its personalized homebuilding approach, KB Home lets buyers choose their lot location, floor plan, décor choices, design features and other special touches that matter most to them.

KB Home has been recognized by U.S. Environmental Protection Agency (EPA) for its “outstanding efforts to elevate the issue of climate change through its actions.” KB Home was the first major homebuilder to commit to constructing all of its homes nationwide to EPA’s ENERGY STAR® certified standard, as well as the first production homebuilder to implement EPA’s WaterSense® water conservation standards. Building to the ENERGY STAR certified standard helps to lower monthly utility costs for homeowners, which the company demonstrates with its proprietary KB Home Energy Performance Guide® (EPG®). Reflecting its leadership, KB Home has received among the highest honors from EPA multiple years in a row for its participation in both the ENERGY STAR and WaterSense programs.

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 new homes designed primarily for first-time, first-move-up and active-adult homebuyers
2015 revenues: \$3.0 billion
Homes built in 2015: 8,196
Ticker symbol: KBH

KB Home builds in 39 markets from coast to coast.



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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.

Report Purpose and Structure

This is our ninth annual sustainability report, which follows our most recent report published on Earth Day in April 2015. In this report, we discuss our accomplishments and challenges in 2015, and our top goals and priorities for 2016 and beyond. 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 is for our fiscal year ended November 30, 2015, 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.

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 our 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.

Letter from KB Home Chief Executive Officer Jeff Mezger



The Evolution and Revolution of Our Business

I am pleased to mark this Earth Day with the publication of KB Home's ninth annual sustainability report. This report is a compendium of our work in 2015 to advance our commitment to sustainable homebuilding.

Since building our first ENERGY STAR® certified home in 2000, KB Home has become recognized as a leader in sustainability in the homebuilding industry. At that time, the conventional wisdom was that environmentally minded homes were a niche product for homebuyers in the fully custom and luxury home segments. Sustainable homes were seen as something that many families would be unwilling or unable to purchase. Despite this viewpoint, we saw an opportunity to apply the process-driven approach and personalization tools of our KB2020 business model to build *affordable* sustainable homes. By integrating sustainability into our homebuilding operations, we have been able to identify and execute cost-effective, high-impact product changes and production methods. This allows mainstream homebuyers across the country the ability to own a beautiful and highly energy-efficient home at a reasonable price point.

What underlies our approach is the combination of practicality and innovation that has always been part of our business. *Evolution* and *revolution*. These are the watchwords that motivate us every day. We continuously *evolve* our sustainable building practices with improvements in building processes and products that move the needle on energy and water conservation in every home we build, at minimal cost to the homebuyer. We also utilize our KB Home Design Studio to gauge homebuyer interest in various sustainable products and technologies and adjust our offerings accordingly. This daily discipline of incremental change is punctuated by moments of *revolution* that propel us ahead of the industry through our research-driven model for identifying, testing, refining and implementing new technologies. It is a balanced approach that is grounded in maintaining affordability while increasing environmental performance in the production home market. Since launching our sustainability initiative nearly a decade ago, our pragmatic program and operational flexibility have enabled us to drive this change across the thousands of homes we build each year and create a critical mass of real-world, measurable and meaningful savings for the benefit of our customers and the environment.

Our forward-looking pilot programs of new technologies help position us for the future with highly efficient products and design that offer the potential for significant savings and increased comfort. Thoughtful evaluation of technologies, materials and methods in real-world environments can drive down costs over time, while also allowing us to gain insight into consumer attitudes and preferences. In some cases, we find that a promising technology or method isn't quite ready for broad implementation. Other times, we are able to utilize learnings from these pilots to make improvements and systematically roll out new features or processes across the company. For example, since building our first ZeroHouse in 2010, we have been able to reduce the incremental costs of building net-zero energy homes by 50% and reduce the additional building cycle time by 75%. As a result, we are looking at being able to build our first neighborhood made up entirely of net-zero energy homes in the near future, while still ensuring that our homes remain affordable.

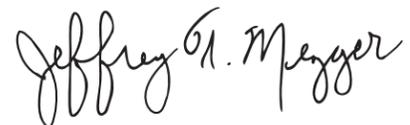
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“What underlies our approach is the combination of practicality and innovation that has always been part of our business. *Evolution* and *revolution*. These are the watchwords that motivate us every day.”

Water conservation has increasingly become a focus of our sustainability efforts. As a company doing business in some of the most water-challenged areas of the country, we recognize that increasing water efficiency is a priority. A year ago, we moved forward in utilizing greywater technologies, even making these systems available in select homes at one Southern California community. In preparing for the future, we are working to ensure that we have best-in-class products at the lowest possible costs.

This year, we have also begun to look at the sustainable building opportunity not just as an opportunity to *save*, but to *give*. In the early days of our sustainability initiative, our emphasis was on educating consumers about how sustainable living and affordable living could go hand-in-hand. Now, our goal is to communicate a deeper value proposition to homebuyers. One that emphasizes not just what they can save in terms of resources and money, but what they can get that typical new and resale homes may not offer. Whether that's the gift of ease and time that the latest technologies offer. Or the convenience of having less maintenance with a home designed for maximum efficiency. Or the peace of mind of a home created with the health of its residents in mind. Our aim is to offer our homebuyers the lifestyle that they aspire to, while also giving them an easy, affordable way to live their values *and* get the maximum value for their homeownership dollar.

We are gratified that our long-standing commitment to sustainability and building high-efficiency homes has garnered numerous awards from government agencies and organizations, including accolades that have never before been awarded to a homebuilder. More than anything, however, we are proud to continue our commitment to the evolution and revolution of our business in 2016 and beyond, and to meet the future of the sustainable home market with a combination of efficiency, affordability and excellence.



National Advisory Board

Formed in 2009, our National Advisory Board is designed to provide an independent perspective on KB Home's sustainability initiatives to help us navigate between advancing sustainability and ensuring the affordability of our homes. The Board is comprised of leaders in diverse disciplines, including environmental protection, finance, law, architecture, government, higher education and consumer advocacy. KB Home Director Kenneth Jastrow II 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.

Key 2016 National Advisory Board Topics for Discussion

Preserving the natural environment.

Conserving natural resources, especially water and energy.

Expanding offerings of infill community locations.

Exploring livability at all life stages.

Developing sustainable master plans.

Advancing homeownership and meeting the sustainability priorities and interests of all of our market segments.

Maintaining the affordability of housing.

National Advisory Board Members

Kenneth Jastrow II
KB Home, Director and NAB Liaison

Jim Earp
Executive Director,
California Alliance for Jobs

Dr. Jonathan Fink
Vice President for Research
and Strategic Partnerships,
Portland State University

Professor Magali Delmas
Professor of Management,
UCLA Institute of the Environment
and Sustainability and the
Anderson School of Management

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

Sheila Hollis, Esq.
Partner, Duane Morris LLP

Anne Kelly
Senior Program Director,
Policy and BICEP Program, CERES

Nancy LeMond
Executive Vice President
for Social Impact, AARP

Dr. Lou Moret
Former CalPERS Board Member

Andre Pettigrew
Executive Director,
Climate Prosperity Project, Inc.

Sam Rashkin
Chief Architect,
U.S. Department of Energy

Tim Smith
Principal - AIA, AICP,
SERA Architects, Inc.

2015 Environmental Progress Overview

2015 marked another year of achievement for KB Home in our key focus areas: energy efficiency, water conservation, healthy home, smart systems and waste reduction. It was also a year in which we reached several impressive cumulative milestones through our consistent, long-standing commitment to sustainability.

Through 2015, these accomplishments include building:

- 95,000 ENERGY STAR® certified homes
- 10,000 Water Smart and WaterSense®-labeled new homes
- 4,200 solar-powered homes
- 12 ZeroHouse 2.0 and Double ZeroHouse 3.0 project homes
- 150+ LEED Platinum homes

These results are a direct outcome of the evolution/revolution approach we take to sustainable homebuilding. We strive to balance moments of revolutionary advances in sustainability—from building all homes to EPA’s ENERGY STAR certified standard, to being the first major homebuilder to build WaterSense-labeled homes and implement greywater technologies, to our leadership in increasing solar-powered homes in the production home market—with a consistent dedication to a daily evolution of our building practices that drives incremental change year in and year out.

The results of our balanced strategy are more than just numbers; they represent a critical mass with meaningful impact:

- **Savings of more than \$28 million in utility bills annually.** Our homes play a significant role in helping our homeowners reduce their carbon footprint. The EPA estimates that, in one year, the families living in the 95,000 ENERGY STAR certified homes built by KB Home will save more than a total of \$28 million on utility bills while preventing greenhouse gas emissions equivalent to those from 34,000 passenger vehicles.
- **Homes built by KB Home in 2015 are up to 70% more efficient than typical existing homes.** In 2015, we built over 8,000 ENERGY STAR certified homes. These homes are up to 30% more energy efficient than typical new homes that do not meet ENERGY STAR certification standards and 70% more than typical existing homes. This built-in efficiency can potentially translate to over \$10,000 in energy bills savings within the first ten years of homeownership.
- **Saving 1.1 billion gallons of water annually.** Cumulatively, we have built more than 10,000 WaterSense- or Water Smart-labeled homes, and installed over 300,000 WaterSense-labeled fixtures, resulting in an estimated 3 million gallons of water saved every single day compared to typical resale homes that do not have the same water efficiency features.
- **Solar energy production nearly equivalent to a 10-megawatt solar power plant.** Cumulatively, our 4,200 solar-powered homes are projected to produce 15.4 million kilowatt hours annually, which is enough to power roughly 1,400 typical U.S. homes for a full year.

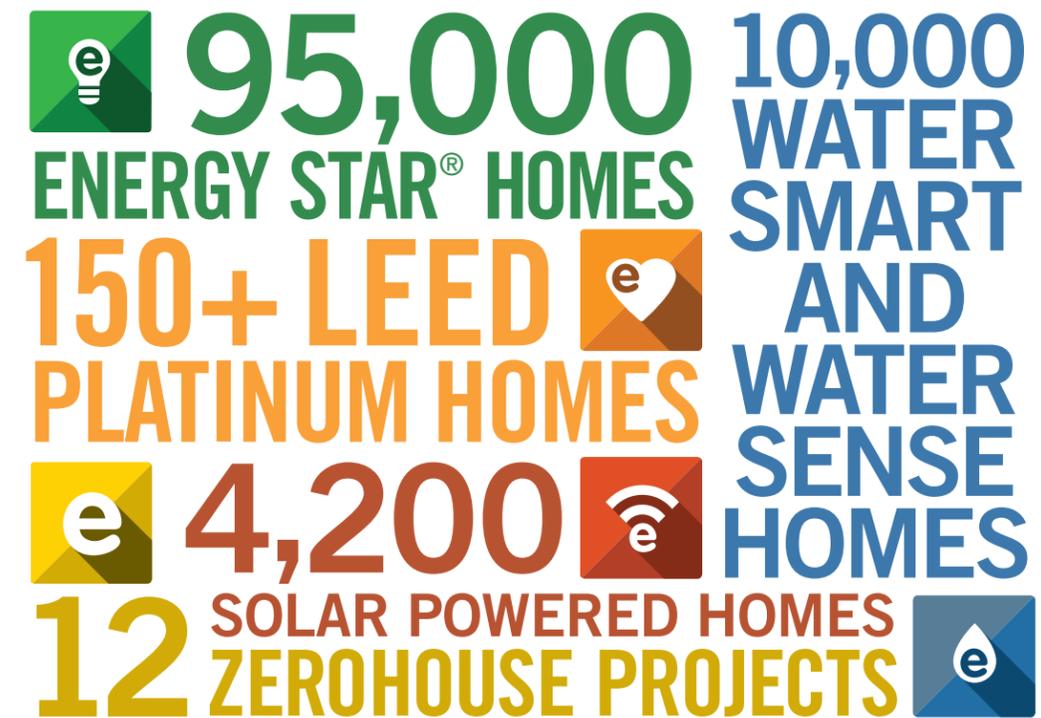
These achievements reflect the following core principles in our approach to sustainability:

- **Consumer-Centric Focus:** Consumer education and homebuyer engagement are central to our work in the area of sustainability. We help homebuyers to see the benefits of sustainable homes, not only to the planet, but also to their budgets and daily lives.

“KB Home is helping Americans save money, save energy, and do their part to reduce our nation’s greenhouse gas emissions that fuel climate change.”

Gina McCarthy
Administrator, U.S. Environmental Protection Agency

REAL-WORLD RESULTS CREATE MEANINGFUL IMPACT



- **Prepare for Tomorrow Today:** We are constantly looking at, evaluating and testing new products and technologies and challenging old ideas about production homebuilding.
- **Advancing Innovation:** We launched rigorous pilot projects in select communities, testing new technologies to improve cost efficiencies and understand consumer benefits and acceptance before implementing them across our operational platform.

These efforts have produced ground-breaking achievements in some years, like when we built our first ZeroHouse 2.0 project home and when we became the first large homebuilder to install greywater recycling systems in select homes at a community. We are also making incremental, though important, improvements every year; for example, through our ongoing focus on energy efficiency, we’ve generated a 29% reduction in our average HERS score since 2007.

With this strong foundation, built on a durable and fundamental operational commitment and deep experience, we are looking forward to expanding our sustainability commitment in 2016 and beyond.

2015 Awards and Recognition

We are honored to be recognized for our work with numerous awards from government agencies and independent organizations.

In 2015, KB Home became the only production builder ever to receive awards across multiple categories from EPA, as well as the U.S. Department of Energy, RESNET® and other independent organizations, including:



ENERGY STAR® Partner of the Year — Sustained Excellence, EPA's highest possible distinction for energy efficiency. Honored for the fifth year in a row.



ENERGY STAR Partner of the Year — Climate Communications, for outstanding efforts to elevate the issue of climate change through our actions. Honored for the second year in a row and the first and only homebuilder to receive this prestigious honor.



WaterSense® Sustained Excellence Award, EPA's highest possible distinction for water efficiency. We are the first and only homebuilder to receive this designation, following four consecutive years as WaterSense Builder Partner of the Year.



Indoor airPLUS Leader Award, for outstanding commitment to constructing homes designed and built for improved indoor air quality. We are the first production homebuilder to receive this award.

U.S. Department of Energy Zero Energy Ready 2015 Housing Innovations Grand Award in the Production Category.



RESNET's "President's Award" for delivering the most homes in the U.S. with a HERS Index Score below 55, the second year in a row we've received this honor.



Environmental Leader News 2015 Product of the Year for the Double ZeroHouse 2.0.



In addition, we received **16 EPA 2015 ENERGY STAR Certified Homes Market Leader Awards** for building homes that advance energy efficiency.

2015 Goals and Results

In 2015, we made meaningful progress toward the long-term strategic goals we outlined in our 2014 Sustainability Report in the areas of energy efficiency, water conservation, healthy home, smart systems and waste reduction. The results of these efforts are detailed below.



LONG-TERM STRATEGIC GOAL: Energy Efficiency

We will continue to increase the energy efficiency of our homes by aiming for an average HERS Index Score of 55 by 2018, a 10-point improvement from our 2013 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.

2015 KEY ACHIEVEMENTS: Energy Efficiency

RESULT: HERS Index Score Reduction

In 2015, the national average HERS score of a KB home was 60, a reduction of 25 HERS Index points since 2007 and two-point improvement from our 2014 energy efficiency level, putting us on track to reach our 2018 goal. We have been able to achieve this increase in efficiency without significantly increasing costs to homebuyers, consistent with our focus on building affordable new homes.

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Video: HERS Home Energy Rating System

Developed by the Residential Energy Services Network (RESNET®), HERS is an industry standard for calculating a completed home's energy performance. RESNET was founded in 1995 as an independent, non-profit organization to help homeowners reduce the cost of their utility bills by making their homes more energy efficient.

Find out more about the rigorous third-party inspection and measurement process that goes into this key energy metric:



2015 KEY ACHIEVEMENTS: **Energy Efficiency**

RESULT:
HERS Index
Score Reduction
(cont.)

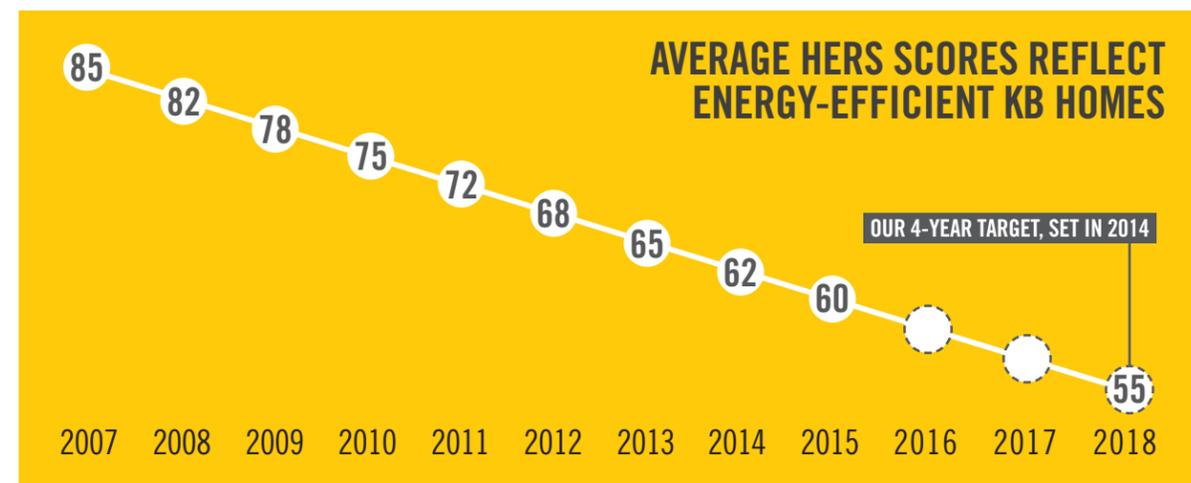
Our national HERS Index score average has consistently improved year after year as the result of incremental progress in construction practices, leveraging our relationships with national partners and the use of highly efficient building materials, in concert with home design changes designed to better align with the local climate.

Independent measurement and certification are an integral part of our approach to energy efficiency. Third-party, independent raters accredited by RESNET test the homes we build during and near the end of construction. We have developed a monthly process to track that each home's as-built HERS score is equal to or better than the score that was initially projected.

We promote the projected HERS score for each one of our home designs on our industry-first EPG® (Energy Performance Guide®), giving consumers an easy way to understand and compare the energy efficiency of various homes. This also allows them to clearly see the potential savings on energy bills that is available to them versus a typical, less efficient home.

KB Homeowner Video: Energy Efficiency

Watch how the energy efficiency of their new KB home paid for the Whalen family's vacation.



836 SOLAR KB HOMES
built in 2015 alone, bringing the total number to

4,200+

Solar power systems installed at KB Home communities since 2011 offset the production of **11,700 TONS** of carbon dioxide per year, which is equivalent to removing 2,200 passenger vehicles from the road annually.*

These systems total 9.6 megawatts installed and add up to more than **\$3 MILLION SAVINGS** for our homeowners every year.

* The multiplier for the passenger vehicles in the solar calculator from EPA has changed and therefore passenger vehicle results this year do not track directly to calculations included in previous reports.

RESULT:
Solar Power

In 2015, we expanded our long-term commitment to solar power, surpassing the 4,000 homes mark, with a total of 4,285 homes built and delivered since introducing our first SunPower® solar power system in 2010.

We also began transitioning to higher-efficiency solar panels that provide a more than 30% higher output than the panels we previously used in order to make a larger impact on energy efficiency with every solar-powered home built. In addition, we launched a solar leasing program to allow for additional financing flexibility for our homebuyers in selecting renewable energy systems for their homes.

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KB Homeowner Video: Solar Savings

Watch the Bunch family talk about how the solar power features of their new KB home make their everyday lives more affordable and more enjoyable.



2015 KEY ACHIEVEMENTS: Energy Efficiency

**RESULT:
Solar Power (cont.)**

Today, we offer solar power in California, Arizona, Colorado and Texas. The largest market for our solar program currently is California. In 2015, we installed solar power systems in 836 homes in Southern California, which represents 76% of our total home deliveries for the year in that region. For all of California, our solar power installation rate was 38% in 2015. Rates in other states are in single digits as consumer demand and local policies continue to evolve in those areas. The solar power capacity of all systems installed in KB homes totals 9.6 megawatts, which is expected to produce 15.4 million kilowatt hours annually.

**RESULT:
Energy Innovation**

In 2015, we continued to utilize our ZeroHouse 2.0 and Double ZeroHouse 3.0 project homes as laboratories for learning and further reducing construction costs. These homes achieve net-zero energy, and in the case of the Double ZeroHouses, significantly reduce water use. We now have tested ZeroHouses in multiple climate zones across the country, allowing us to gather a variety of data to guide future development. We also opened these homes to professionals and students to foster further expansion of these types of projects nationwide. As a result of our continuous process improvements, we have been able to drive down the cost of these homes by 50% since our first ZeroHouse in 2010 and reduce the additional construction time by 75%.

In addition, we are exploring the benefits of greywater heat recovery pipes. These pipes are popular in Canada and also used in commercial settings in the U.S. They can reduce the energy needed for water heating by up to 35%. In 2015, we expanded on a greywater heat recovery pilot program. Our initial pilot program in 2014 was a test of RenewABILITY's Power-Pipe® greywater heat recovery system in two KB homes in Lancaster, California. The program was sponsored by Southern California Gas Company to measure the actual reduction in water heating load. We continued the test in 2015, and the results supported the effectiveness of these greywater heat recovery pipes. With these results, we expanded the pilot implementation of this program by offering it at other communities. We installed 16 more systems in homes in California and Colorado.

KB Homeowner Video: Translating Energy Savings into Lifelong Memories

Watch the Wooldridge family talk about how the energy efficiency of their home paid for their honeymoon.



**RESULT:
ENERGY STAR**

In 2015, we built over 8,000 ENERGY STAR certified new homes, bringing our cumulative total of ENERGY STAR certified new homes to over 95,000. These 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 EPA for the ENERGY STAR New Homes program, which emphasizes higher energy efficiency, better quality, better comfort, improved indoor air quality and better durability than standard building codes.

In addition, every new KB home comes standard with an ENERGY STAR certified dishwasher and our KB Home Design Studios exclusively offer ENERGY STAR certified refrigerators, washers and dryers and other ENERGY STAR certified items, including light fixtures.

**RESULT:
LED Lighting**

In 2015, KB Home introduced the ENERGY STAR certified Sea Gull Lighting® Traverse LED lighting system as a standard feature in all of our new homes opening in September 2015 and beyond. While KB homes are already designed to be highly energy- and water-efficient, incorporating LED lighting that save even more energy and last up to 20 times longer than standard lighting is yet another advance in the energy efficiency and sustainability of the new homes we build. Every KB home utilizing these LED lights instead of traditional CFL bulbs is estimated to save over 900 kilowatt hours and \$140 in utility savings annually.

KB Homeowner Video: LED Lighting

Watch the Goldberg family talk about how the LED lighting in their home saves money while also providing a warmer, more welcoming home environment.



2015 KEY ACHIEVEMENTS: **Energy Efficiency**

Sustainability Strategy: Consumer and Industry Education

From the outset of our focus on sustainability, we saw that there was a perception in both the industry and the marketplace that affordability and sustainable homes could not go hand in hand. We saw that challenge as a market opportunity. We believed homebuyers would embrace the opportunity to support their values and their budgets simultaneously if we demonstrated how they could work together. That's why consumer education has always been an integral part of our approach to sustainability.

e DIFFERENCE



Our eDifference marketing program highlights how conserving energy and water can extend homeownership budgets without significantly increasing the upfront cost for our customers. At the center of this consumer education is our innovative EPG® (Energy Performance Guide®). The EPG offers homebuyers a simple, clear way to compare the energy performance and projected monthly utility costs of one home to another, as well as against typical new homes and typical resale homes. The EPG is an example of how we utilize practical, consumer-focused tools that translate sustainable ideals into real-world benefits.

As this approach has seen success in the marketplace and drawn notice from government agencies, environmental organizations, the media and other homebuilders, we have become a leading voice for sustainability in our industry. Our executives frequently speak at industry events and participate in public-private partnerships aimed at promoting the shared interest we all have in enhancing the well-being of the communities that families can be proud to call home.

Additional 2015 consumer and industry educational outreach include:

- generating media coverage of our sustainability focus totaling more than 700 stories
- advocating for policies that will help stabilize our climate through participation in business coalitions, including Business for Innovative Climate and Energy Policy (BICEP), an arm of the organization Ceres, the leading NGO promoter of energy efficiency, conservation and renewable generation in America
- presentations at industry-related conferences and media events, including the Housing Leadership Summit, Greenbuild International Conference and Expo, and the UBS Building and Building Products Annual CEO Conference
- hosting educational tours of our net-zero energy homes for groups, from elementary school students to college students enrolled in solar vocational programs

As a result of these efforts, we were honored to once again receive EPA's ENERGY STAR Climate Communications Award in recognition of our outstanding efforts to elevate the issue of climate change through our actions.



LONG-TERM STRATEGIC GOAL: **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 the use of greywater recycling systems through successful demonstrations and 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.

2015 KEY ACHIEVEMENTS: **Water Conservation**

RESULT: **WaterSense and Water Smart**

Building entire homes optimized for water conservation continues to be a priority for us, particularly in the water-challenged regions in which we operate.

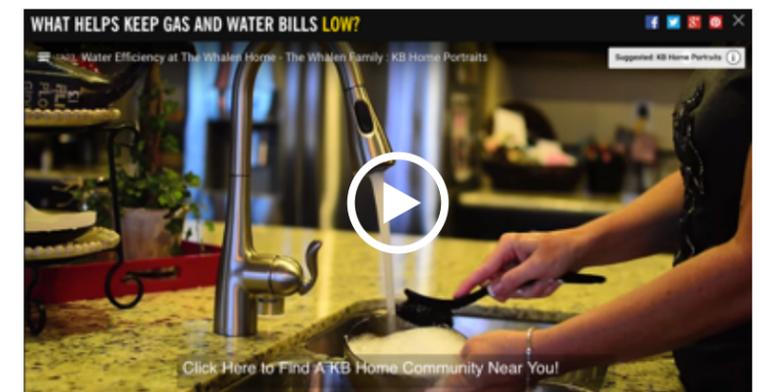
In 2004, we became the first homebuilder to join the Southern Nevada Water Authority's Water Smart program, which certifies new homes built to save an estimated 75,000 gallons of water a year compared to typical existing homes. In 2015, we built 693 Water Smart certified homes, all located in the Las Vegas area.

In 2010, we also became the first national homebuilder to partner with U.S. Environmental Protection Agency to build WaterSense-labeled new homes. WaterSense-labeled new homes are EPA's standard for whole-home water efficiency, similar to the ENERGY STAR standard for energy efficiency. In 2015, we built 233 WaterSense-labeled homes, a 143% increase from the prior year. In addition, we introduced three communities where 100% of the homes earned the WaterSense label.

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KB Homeowner Video: Water Efficiency

Watch the Whalen family talk about how the water-efficient features of their new KB home provide savings, convenience and peace of mind.



2015 KEY ACHIEVEMENTS: Water Conservation

**RESULT:
WaterSense and
Water Smart (cont.)**

In addition to building WaterSense-labeled new homes, we utilize WaterSense-labeled fixtures as the standard in the majority of our homes nationwide. In 2015, we installed more than 70,000 WaterSense-labeled fixtures in our homes, which offer a 20–30% increase in water efficiency compared to typical fixtures.

Cumulatively, we have built more than 10,000 WaterSense- and Water Smart-labeled homes and installed more than 300,000 WaterSense-labeled fixtures. In combination, each year, our homes conserve more than 1.1 billion gallons of water.

**RESULT:
Moen Lavatory
Faucet Pilot**

In 2015, we initiated a pilot program of Moen® WaterSense-labeled lavatory faucets with a 1.2 GPM low-flow rate, which are 20% more efficient than the current standard lavatory faucets. Following a successful pilot program, we will transition to these faucets company wide in 2016–2017, beginning in our new-home communities in California. When completed, this change is estimated to save over 8 million gallons of water annually, based on our 2015 deliveries.

**RESULT:
Greywater
Recycling**

Greywater recycling, which reuses up to two out of every three gallons of indoor water consumption, is an important part of our water conservation efforts and has potential to be a critical component to preserving this important natural resource when applied widely in production homebuilding.

**News Coverage:
Water Efficiency and Greywater
Recycling at a KB Home community**

Watch news coverage highlighting all the water conservation features of KB Home’s Sea Cliff community from San Diego ABC affiliate, Channel 10.



**RESULT:
Greywater
Recycling (cont.)**

In 2014, we became the first major homebuilder in the United States to utilize on-site greywater recycling technology at our Double ZeroHouses in Lancaster and El Dorado Hills, California. In 2015 we expanded on this initial pilot implementation by offering optional on-site greywater systems at an entire community for the first time. Our Sea Cliff community, located in Southern California, was a natural fit for this pilot project. Sea Cliff opened in June 2015 and is an important source for learning about the implementation of greywater systems in a real-world environment and helping us to better understand how to communicate the importance and value of greywater recycling to homebuyers. We plan to further evaluate our experience at Sea Cliff before potentially rolling these systems out on a wider scale.



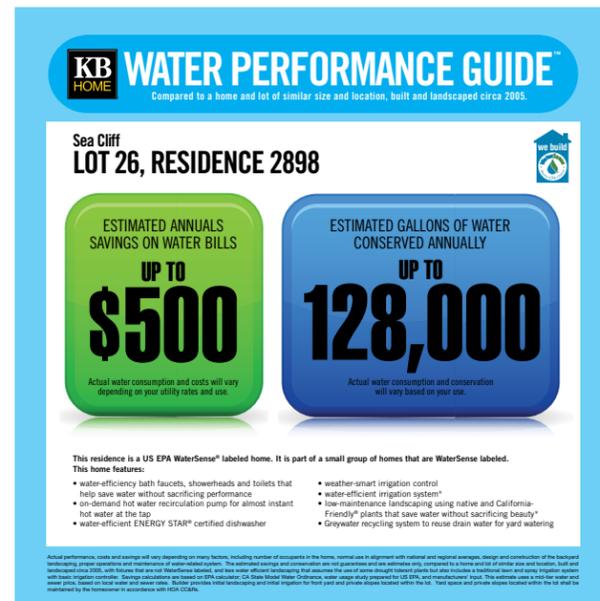
Greywater recycling system at KB Home’s Sea Cliff community, San Diego, CA (covers lifted to show mechanics of system)

2015 KEY ACHIEVEMENTS: **Water Conservation**

Sustainability Spotlight: Water Performance Guide™ Pilot

Similar to our Energy Performance Guide® (EPG®), which is designed to educate consumers and homeowners about the energy performance and potential energy and utility bill savings of each individual KB home, we are currently piloting a proprietary Water Performance Guide (WPG). This guide is designed to show the estimated annual savings on water bills (including sewer fees), as well as estimated gallons of water conserved annually, tailored to the specific community, home, floor plan and homesite size. The WPG is designed to provide consumers with a consistent standard to compare the estimated water savings, in gallons and dollars, of various homes compared to a home and homesite of similar size and location, built and landscaped circa 2005. It is also intended to make water consumption part of the conversation about choosing a home—and highlight the potential for smart design to reduce the overall cost of homeownership.

We are currently piloting the WPG in one community and will be utilizing our experience in refining this consumer education tool and rolling it out across the company.



LONG-TERM STRATEGIC GOAL: **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 to support a healthier lifestyle for our homeowners and address trends toward local, sustainable food sources.

2015 KEY ACHIEVEMENTS: **Healthy Home**

RESULT: Improved Indoor Air Quality

Our homes have more than 10 key design and construction features designed to reduce moisture, chemical exposure and pests, and increase ventilation and filtration. Together, these features help minimize mold, chemicals, combustion gases and other airborne pollutants to provide a healthier indoor living environment for the residents of the homes we build.

RESULT: Healthier Materials

Including building materials and products designed to contribute to a healthier indoor living environment in the construction of our homes is a priority for KB Home. These include materials that reduce indoor pollutants, as well as those that increase energy efficiency, comfort and noise control. We partner with building product manufacturers to apply the latest in building science for more sustainable and healthy building design.

One of our partners is Owens Corning®, a leading manufacturer of fiberglass insulation. The Owens Corning EcoTouch® PINK® FIBERGLAS™ insulation that we use in the construction of our homes not only provides energy efficiency and noise control, but is also designed to minimize environmental and health impacts:

- According to Owens Corning, the EcoTouch products that KB Home uses meet GREENGUARD Gold standards for being formaldehyde free (which allow for very low levels of formaldehyde) and having low chemical and particle emissions. More information on the GREENGUARD Gold Certification can be found at www.greenguard.org.
- EcoTouch PINK FIBERGLAS insulation incorporates bio-based materials and is tested for bio-based content, and according to Owens Corning, is currently the only fiberglass insulation in USDA's BioPreferred® Catalog.
- Owens Corning's fiberglass insulation has a minimum of 50% recycled content, with some products we use as high as 65%, and according to Owens Corning, these recycled content levels are certified by SCS Global Services. More information about the SCS Global Services certification can be found at www.scsglobalservices.com.
- Owens Corning's unfaced EcoTouch insulation that KB Home uses has received the Cradle to Cradle™ Products Innovation Institute's Gold Level Material Health Certificate. More information about the Cradle to Cradle Products Innovation Institute's Gold Level Material Health Certificate can be found at <http://www.c2ccertified.org/resources/collection-page/material-health-certificate-resources-public>.
- More information about the Owens Corning product certifications can be found at <https://w.owenscorning.com/ocbuildingspec/sustain/BUILDscience.html>.

RESULT: Indoor airPLUS

In 2015, KB Home became the first national production homebuilder to receive EPA's Indoor airPLUS Leader award for its outstanding commitment to constructing homes designed and built for improved indoor air quality. Indoor airPLUS is a voluntary partnership and labeling program that helps new homebuilders improve the quality of indoor air with construction practices and product specifications that minimize exposure to airborne pollutants and contaminants.



2015 KEY ACHIEVEMENTS: **Healthy Home**

RESULT: **Home and Community Gardens**

In 2015, we began development on Patterson Ranch in Fremont, California, an innovative community that is planned to include a two-acre urban farm with an orchard and organic-equivalent vegetable garden. (See more information below.) This pilot project will help us to determine best practices for the construction of community gardens and the sharing of the resulting organic produce with its residents, a model which we hope to implement in future neighborhood design.



Depiction of planned working barn and community center at Patterson Ranch

Patterson Ranch: **Bringing Healthy Home**

Healthy living goes well beyond the walls of your home, which is why we're constantly looking for opportunities to extend our focus on promoting a healthier lifestyle in the communities we build. Located on the site of a former working ranch that is part of local heritage, KB Home's Patterson Ranch master plan in Fremont, California is designed to reflect the history of the land while also offering its residents a healthier lifestyle option. The community, which opened this spring, is planned to include a working barn and an approximately two-acre urban farm featuring an orchard with lemon, apple and orange trees. In this way, Patterson Ranch will offer residents the convenience of modern life in tandem with the experience of urban farming.

With the goal of having this community resource meet organic equivalency standards, we are partnering with a master organic gardener with more than 10 years of experience. The organic equivalency standard follows the principles of organic gardening, though it will not qualify the farm to be officially certified as organic by an independent inspector.

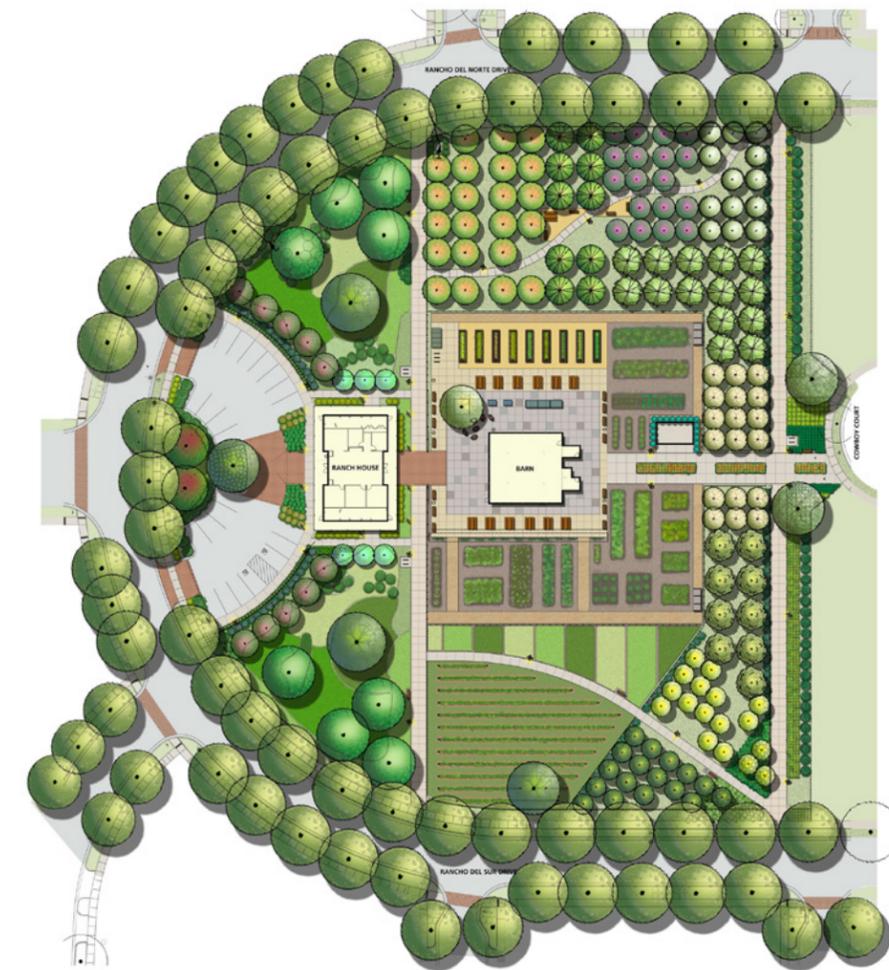
Through the Homeowners Association, residents will decide what crops or plants to grow and whether to operate the farm as a single garden for the entire community or to offer an individual garden plot for each resident to help create deeper personal connections among the families in the community and support healthier lifestyles. We are also planting a hierarchy of pollinator

plantings around the community designed to attract bees and birds into the garden and support the local ecosystem.

In addition to the working barn, the master plan will feature a community center, including a local postal annex, where residents can gather. Both the barn and the community center are built to LEED-equivalent Silver standards. The community will also promote active living with biking/walking trails that connect to external trail systems, and when finished will feature active parks, basketball and sport courts, picnic areas and easy access to surrounding recreational opportunities.

We are pleased to bring this support for healthy living to our residents and foster a warm and healthy community lifestyle. This project is in the initial stages, and we are still exploring the exact composition of the garden, its plantings and how residents will be able to participate in the garden and related facilities. We will use this urban farm project to develop a better understanding of the design and maintenance of similar gardens for inclusion in future communities, as well as to learn firsthand from our homeowners about what works most effectively to support them in living healthy.

At Patterson Ranch, we are advancing the concept of building a sustainable and healthy community with hundreds of highly efficient homes.



Planned urban farm design for Patterson Ranch



LONG-TERM STRATEGIC GOAL: 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 our 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.

2015 KEY ACHIEVEMENTS: Smart Systems

RESULT: Smart Appliances and Systems

In 2015, KB Home piloted the use of Carrier® Cōr™ smart-home thermostats in select new-home communities. Cōr thermostats are designed not only to help homeowners save energy, but also to maximize their convenience and comfort. Using Wi-Fi technology and sophisticated software, Cōr thermostats learn the characteristics of a home and the way homeowners live in it, then efficiently adapts the heating and cooling system performance to the outside weather for greater efficiency and comfort. Cōr thermostat smartphone-like touchscreen and sleek design provide an enhanced and intuitive user experience, making it easy for KB homeowners to take advantage of its wide range of features. Users can control their home's heating and cooling and monitor their energy consumption conveniently from any smart device or let Cōr's technology automatically adjust temperature settings for them.

Cōr's settings can also be customized to suit individual preferences and for specific circumstances, like "Exercising" or "Working from Home." Cōr also monitors energy use patterns and delivers intuitive usage reports as well as customized energy-conserving tips to help homeowners understand and modify their heating and cooling system's performance to help maximize energy savings.

The Cōr thermostat is an example of our emerging emphasis on broadening the scope of our sustainability initiative to encompass what our homes can provide to our homeowners in terms of an improved quality of life and greater convenience, not just what our homes can save homebuyers in terms of utility costs and natural resources.

We are pleased that after this initial successful pilot project, all KB Home communities opening in September 2015 or after will include Carrier Cōr thermostats.

In 2015, we also piloted the Genie® Aladdin Connect™ garage door opener system, which allows for the convenient monitoring and control of garage doors from smart devices. We have since added this option at our KB Home Design Studios to expand our offering of smart home features that are designed to increase efficiency for our homeowners.

In 2015, we also tested additional smart appliances that could make homeowners' lives more comfortable, efficient and sustainable. At Skylar at Playa Vista in California, for example, we incorporated environmentally conscious features designed to support the comfort and convenience of our buyers and their families. These include Wiser™ smart thermostats, which can be controlled remotely and are also able to communicate with

RESULT: Smart Appliances and Systems (cont.)

the electric utility for demand/response operations, as well as relay time-of-usage electricity rate changes to residents.

At Skylar at Playa Vista, we also featured Kwikset®'s Kēvo™ Bluetooth-enabled wireless door locks, which allow homeowners to utilize their smart phones to unlock their front doors for increased convenience. In addition to these smart features, Skylar achieved LEED Platinum certification and won the 2015 Pacific Coast Builder Conference's Gold Nugget grand awards for both Best Multifamily Housing Community and Residential Community of the Year – Attached Community.

In addition, in 2015, we continued our tests of energy storage begun in 2014 with the installation of two energy storage devices at our Fiora community in El Dorado Hills, California and our Vicenza community in Irvine, California. We are continuing to learn about their performance as well as installation best practices. The knowledge we have gained will help us as we move forward with our long-term goals for energy storage systems.

Product Spotlight: Kwikset Kēvo Wireless Door Locks

Find out more about the convenience and security of Kwikset Kēvo Bluetooth-enabled wireless door locks utilized in KB Home's Skylar at Playa Vista community.





LONG-TERM STRATEGIC GOAL: Waste Reduction

We will maintain our current initiatives of driving toward a waste-free supply chain by further improving the accuracy of the quantities of products and building materials we order. We will continue to encourage our suppliers to use more recycled materials in their products or make their products recyclable at the end of their useful life, as well as reduce the packaging of their products.

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

RESULT: Reducing Waste (cont.)

site, but we take measures to recycle and divert materials wherever possible. For example, in 2015, KB Home's Inland Empire Division diverted a minimum of 78% of their jobsite waste across its communities for recycling, which was among our highest performing jobsite waste recycling result. Materials included concrete, wood, paper and glass.

We also 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.

RESULT: Conserving Natural Resources

Over the years, KB Home has been a voice within the homebuilding industry in support of the protection of old-growth forests. We firmly believe that it is not necessary to cut old-growth forests in order to provide the raw materials needed for our business. We think it is imperative for the building industry to demonstrate the importance of maintaining this valuable natural resource, and we select our trade partners based in part on a shared commitment to this value. One of our main suppliers for engineered wood products is Weyerhaeuser. According to Weyerhaeuser, 100% 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. According to their estimates, Weyerhaeuser, on average, uses 95% of each log to produce Trus Joist® engineered wood products, lumber and oriented strand board (OSB) and generates energy from any leftover material.

2015 KEY ACHIEVEMENTS: Waste Reduction

RESULT: Sustainable Partnerships

We select our suppliers in part based on a shared commitment to sustainability and an awareness that our business decisions can help to support that commitment. We look for partners who are innovating for the future. Our flooring partner, Shaw Industries®, provides carpeting for every KB home nationwide that, according to the company, received the Cradle to Cradle™ Products Innovation Institute's Silver Level Certificate. More information about this certificate can be found at <http://www.c2ccertified.org/get-certified/levels> and <http://sustainability.shawinc.com/reports/>. In 2015, KB Home used over 1.3 million yards of Cradle to Cradle Certified carpeting in the homes we built.

As part of Shaw's continued efforts to innovate and expand their portfolio of sustainability solutions and adapt to meet tomorrow's market dynamics, in mid-2015 the company opened its new Evergreen Ringgold facility, which uses proprietary technology to recycle nylon and polyester fiber. This significant investment in carpet recycling illustrates the Shaw's continued commitment to converting what has historically been seen as waste into a valuable resource and is an example of how KB Home's commitment to sustainable building aligns with those of our partners.

RESULT: Model Home Energy Tracking

We continued to manage our carbon footprint in our model homes by using automated systems to monitor electricity usage. In 2015, our per-model average energy consumption went up slightly due to the increased energy required to heat and cool our model homes during 2015's abnormal weather-related conditions. We are taking actions to reduce energy usage in model homes in order to ensure that this temporary increase does not continue.

RESULT: 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 constantly review, and where possible, refine our home designs and community development plans to improve efficiency. We also utilize purchasing efficiencies and materials takeoff plans to minimize the use of natural materials and reducing the cost of our construction operations. Despite conservation efforts, some waste is inevitable on the construction

Long-Term Strategic Goals and 2016 Environmental Priorities

In 2016, we will continue to focus our sustainability efforts and environmental priorities against the long-term strategic goals we outlined in our inaugural sustainability report nine years ago and which have continued to evolve over time.

ENERGY EFFICIENCY

We will continue to increase the energy efficiency of our homes by aiming for an average HERS Index Score of 55 by 2018, a 10-point improvement from our 2013 energy efficiency level.

We will expand our focus from sustainable *homes* to sustainable and healthier *communities*, with a goal of identifying our first community to be made up entirely of high-performance net-zero energy homes.

In 2016, we will continue our emphasis on *affordability* in order to ensure that homebuyers can choose to support the environment and achieve homeownership.

We will also leverage our economies of scale and expertise in the field to partner with companies seeking to expand their products and services in the area of sustainable homebuilding in order to foster innovation in this growing market. A key measure of this will be the Greenbuild concept home we will be building in partnership with Builder Magazine and the Greenbuild Conference and Expo to showcase innovations and next-generation solutions in sustainable building.

WATER CONSERVATION

In 2016, we will expand leadership in building more water-efficient new homes by introducing new innovations, ranging from more efficient fixtures to ways to reuse water.

We will also continue to raise awareness of the energy-water nexus through additional demonstrations of such technologies as on-site greywater heat recovery systems.

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. In 2016, we will continue to focus on products that are designed to contribute to better indoor air quality.

We will offer options that can contribute to the wellness of homeowners and continue to promote landscaping concepts intended to bring more produce from the garden to the tables of our homeowners.

SMART SYSTEMS

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

We will demonstrate and offer technologies that give our homebuyers increased peace of mind and convenience.

In 2016, we will expand our focus on smart home features to support a more holistic definition of sustainable homebuilding that includes not only saving natural resources and utility costs, but also enhancing our homebuyers' quality of life.

WASTE REDUCTION

In 2016, we will maintain our current initiatives of driving toward a waste-free supply chain by ordering more accurate quantities of products. We will continue to encourage suppliers to use more recycled materials in their products or make their products recyclable at the end of their useful life and/or 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.

2015 Economic and Social Sustainability Progress Overview

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. Building a new-home community positively impacts many different aspects of the economy, from securing capital to sourcing raw materials to contracting for construction services. In addition, the purchase of a new home can generate additional economic activity for a variety of businesses as the family moves in and furnishes their new home. After move-in, our customers often become customers for local businesses, including grocery stores, restaurants, dry cleaners and gardening services.

Homebuilding Creates Jobs

Each time a new single-family home is built, the amount of paid employment created is equivalent to three new jobs a year, measured in full-time equivalents, according to a 2015 study by the National Association of Homebuilders. On top of this, our suppliers and other partners grow their own operations and workforce by providing goods and services for our business.

Affordability for Our Core Customer

Historically, first-time and first move-up homeowners have been our primary homebuyer segment. Through the power of our business model and sustainability commitment that helps to reduce utility costs and resource usage, we are working hard to make homeownership more affordable and attainable for our homebuyers, particularly young families and the rising millennial generation.

Under our business model, KB2020, we provide buyers with the opportunity to purchase a beautiful home at an affordable price with the features and options that they want and that meet their budget.

Fiscal Year in Review

In 2015, we produced strong operational and financial results largely through our focused execution on four primary strategic priorities—grow our community count; enhance the profitability of each home delivered; generate higher revenues; and improve our asset efficiency and return on invested capital. Our 2015 performance also reflected generally favorable conditions in most of our served markets, with healthy supply and demand dynamics fueled by steady employment and economic gains over the course of the year. Among our achievements, compared to 2014, we increased homes delivered by 14%, total revenues by 26% and pretax income by 34%. We accomplished these results notwithstanding external headwinds in the fourth quarter, including inclement weather conditions and trade shortages in certain markets, that tempered home deliveries and revenues, and despite higher land, land development and construction costs during the year that, along with an increase in the amortization of previously capitalized interest, contributed to a 180 basis point year-over-year decrease in our full-year housing gross profit margin.

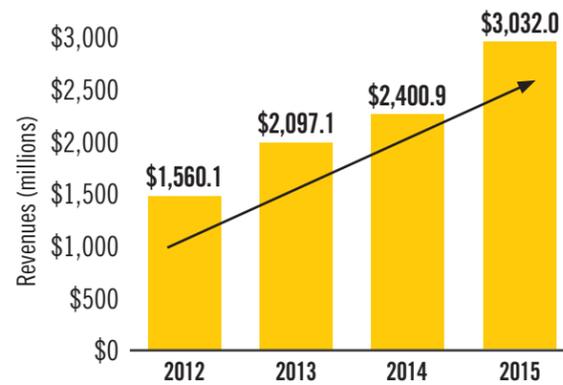
During the year, through our investments in land and land development, we made additional progress in expanding our community count and positioning our communities in attractive locations to sustain the upward momentum of our business in 2015 and beyond. Our average community count in 2015 rose 22% on a year-over-year basis, which helped drive measurable increases in our net orders, net order value and backlog levels. Our 2015 ending community count of 247 was 9% higher than our 2014 year-end number.

Continued on page 30 >

With our expanded year-end community count and our current plans for new investments in land and land development; the year-over-year increases in the number of homes in our backlog and corresponding backlog value at November 30, 2015, each of which reached their highest year-end levels since 2007; and our expectation of positive housing market conditions in the coming year, we believe we are well-positioned for further growth in 2016, including in homes delivered and revenues.

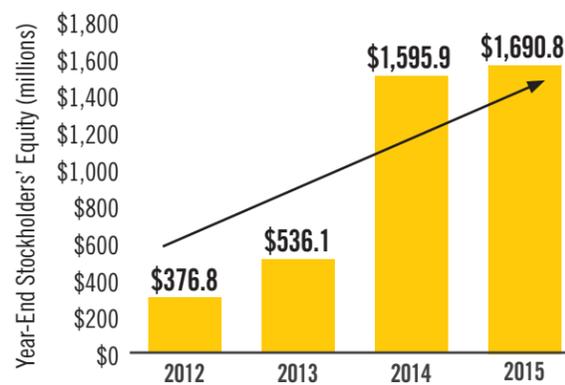
For more information on our financial and operational results, please see our Annual Report or Form 10-K for the fiscal year ended November 30, 2015.

REVENUES 2012–2015



Increased revenues by **\$1.5 billion** since 2012

YEAR-END STOCKHOLDERS' EQUITY 2012–2015



Increased Stockholder Equity by **\$1.3 billion** since 2012

Community Service and Charitable Contributions

At its core, homebuilding is about creating communities and connections. That's why we encourage community service at every level of our organization and in every region. We take great pride in the many projects initiated and organized by our employees each year. As a homebuilder, we place particular emphasis on the importance of programs providing shelter and assistance for children and their families in the regions in which we build. Our divisions also participate in numerous local causes and events, from delivering backpacks to students in need to running in a race for a cause to partnering with non-profits, schools, medical care providers, food pantries and other charitable organizations. At KB Home, giving back and going above and beyond the day-to-day in the communities where we live and work is fundamental. Each year, employees at our divisions partner with local non-profits, schools, medical care providers and food pantries to make a positive impact.

Product Satisfaction

A home is the largest purchase most people make in their lifetimes, and as a homebuilder, we take customer satisfaction seriously. As reported in 2015 by H2insight, our 30-day post-purchase satisfaction rating from our homeowners was 91%, and 89% of our homeowners said they would recommend KB Home to a friend. In addition, 91% of our 2014 homebuyers reported satisfaction with the energy efficiency of their homes nearly a year after purchase, which we believe reinforces the importance of sustainability to prospective buyers of our homes.

In 2014 and 2015, we partnered with IBACOS®, a leading provider of construction management systems for the homebuilding industry. This partnership began with the establishment of a baseline of our service providers' work against industry best practices to determine opportunities to further enhance design, building materials and construction practices. IBACOS also performs annual independent, third-party assessments of construction performance in our new communities in each of our major markets. These reviews measure execution across 13 building systems, from site and safety to framing and insulation, and encompass over 600 construction checkpoints that form the basis for recommendations for further improvement.

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. Our Board of Directors is elected by our stockholders to oversee the management of our business and assure that the long-term interests of our stockholders are being served. 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 2015 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 interest, 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

Maintaining our sustainability commitment requires more than simply establishing an environmental initiative. It involves ongoing consensus-building and close collaboration across the organization to 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 support of community partners and other non-governmental organizations, it is essential to create 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 formal input from stakeholders through our National Advisory Board, which is described in further detail on page 7.

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 policymakers 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 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 2015, the KB Home American Dream Political Action Committee contributed \$5,500 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 2015, we contributed \$151,675 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 2015 fiscal year, there were four such trade associations—the Leading Builders of America, the California Building Industry Association, North State Building Industry Association and the Building Industry Association of Bay Area. Based solely on their reports to us, these three trade associations automatically allocated an aggregate total of \$183,011.

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 7, 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.

Carbon Footprint Reporting

KB Home has been publishing carbon footprint measurement information since the release of our inaugural 2007 Sustainability Report. In 2009, we 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.

Environmental Performance Overview

PERFORMANCE INDICATOR	2007	2008	2009	2010	2011	2012	2013	2014	2015
TOTAL # OF HOMES DELIVERED	23,743	12,438	8,488	7,346	5,812	6,282	7,145	7,215	8,196
ENERGY EFFICIENCY									
# of ENERGY STAR® certified homes delivered	7,467	4,736	5,258	6,631	5,677	6,207	7,078	7,168	8,099
% of total homes delivered that were ENERGY STAR certified	31%	38%	62%	90%	98%	99%	99%	99%	99%
% of KB Home divisions building at least some homes to ENERGY STAR specifications	83%	91%	100%	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	11,181
Homeowner satisfaction ratings on the energy efficiency of their KB home ²	N/A	N/A	N/A	91.9%	92.5%	93.1%	92.8%	91.5%	91%
WATER CONSERVATION									
# of KB homes built to EPA's new WaterSense® specifications ³	N/A	N/A	N/A	11	97	85	61	96	233
# of Water Smart homes built ⁴	1,964	881	393	521	412	438	503	400	589
# of EPA WaterSense-labeled fixtures installed in KB homes: ⁵									
• lavatory faucets	N/A	154	15,189	19,096	18,240	22,500	23,500	23,800	28,700
• toilets	N/A	486	1,260	2,026	14,500	18,100	20,000	20,200	23,000
• showerheads	N/A	N/A	N/A	241	12,200	13,700	15,000	15,150	16,400
MY HOME. MY EARTH.® OPTIONAL PRODUCTS AND UPGRADES									
Total # of <i>My Home. My Earth.</i> optional upgrades installed. ⁶	N/A	N/A	21,010	23,155	18,412	20,039	33,582	35,373	46,717

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 Began tracking in 2009. Optional upgrades include appliances, HVAC equipment, WaterSense-labeled fixtures, ENERGY STAR certified doors and low-E windows. Figures are estimated.

Environmental Performance Overview

PERFORMANCE INDICATOR	2007	2008	2009	2010	2011	2012	2013	2014	2015
OFFICE SUSTAINABILITY PRACTICES									
% of office supplies purchased that are earth conscious	23%	27%	26%	33%	29%	22%	15%	20%	19%
Number of meeting hours hosted on iLab ¹	N/A	1,934	1,978	1,665	1,708	1,533	1,988	2,048	1,939
Recycled paper (office grade) processed through our national service provider, which recycles the paper after shredding (lbs). ²	56,440	148,940	72,390	467,979	158,129	94,703	123,637	66,114	203,341
• trees saved	479	1,266	615	3,978	1,344	805	1,051	555	1,706
• water saved (gal.)	197,540	521,290	253,365	1,637,925	553,451	331,459	432,728	906,125	2,786,903
• air pollution avoided (lbs.)	16,932	44,682	21,717	14,039	4,743	2,841	3,709	47,867	147,219
• landfill reduction (cu. yds.)	84	223	109	702	237	142	185	165	508
• electricity saved (kWh)	115,702	305,327	148,400	959,356	324,164	191,140	253,455	74,709	229,776
• oil saved (gal.)	12,981	34,256	16,650	107,635	36,370	21,782	28,436	N/A	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	19,186
Estimated greenhouse gas emission from 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)	0.0000063 (19,186 metric tons/US \$3,032,030,000 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 (16,078 metric tons/7,215 homes)	2.3 (19,186 metric tons/8,196 homes)
WASTE REDUCTION AND RECYCLING									
% of KB homes built with preconstructed panels ⁷	65%	90%	90%	100%	100%	98%	85% (est.)	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.)	85% (est.)

¹ Began tracking in 2008. iLab is a virtual meeting system that minimizes air and car travel for training, meetings and events.

² 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. 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 offsite 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.

Economic Performance Overview

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 or at www.sec.gov.

PERFORMANCE INDICATOR	2007	2008	2009	2010	2011	2012	2013	2014	2015
TOTAL # OF HOMES DELIVERED	23,743	12,438	8,488	7,346	5,812	6,282	7,145	7,215	8,196
FINANCIAL									
Total revenue (in thousands)	\$6,416,526	\$3,033,936	\$1,824,850	\$1,589,996	\$1,315,866	\$1,560,115	\$2,084,978	\$2,400,949	\$3,032,030
Net income/loss (in thousands)	(\$929,414)	(\$976,131)	(\$101,784)	(\$69,368)	(\$178,768)	(\$58,953)	\$39,963	\$918,349	\$84,643
Net orders	19,490	8,274	8,341	6,556	6,632	6,703	7,125	7,567	9,253
Backlog									
• units	6,322	2,269	2,126	1,336	2,156	2,577	2,577	2,909	3,966
• value (in thousands)	\$1,498,835	\$521,386	\$422,496	\$263,794	\$458,950	\$618,626	\$682,489	\$914,025	\$1,281,478
Average selling price	\$261,600	\$236,400	\$207,100	\$214,500	\$224,600	\$246,500	\$291,700	\$328,400	\$354,800
Housing gross margin	(5.7%)	(7.1%)	6.5%	17.4%	13.4%	14.9%	16.7%	18.1%	16.3%
CUSTOMER SATISFACTION									
Customer satisfaction index ¹	8.9	9.3	9.5	9.5	9.5	9.4	9.2	9.1	9.1
Customer recommendation rating ²	N/A	N/A	N/A	9.5	9.5	9.4	9.1	9.0	8.9

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	2015
TOTAL # OF HOMES DELIVERED	23,743	12,438	8,488	7,346	5,812	6,282	7,145	7,215	8,196
STAKEHOLDER AND COMMUNITY INVOLVEMENT									
National Advisory Board	No	No	Yes						
Infrastructure development – approx. school-related fees paid	N/A	\$35 million	\$25 million	\$21 million	\$20 million	\$22 million	\$26 million	\$25 million	\$28 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	1,710
# of collective bargaining agreements with employees	0	0	0	0	0	0	0	0	0
Employee injuries by region:									
• West	6	13	13	6	7	4	8	6	7
• Southwest	3	3	3	1	3	1	1	7	6
• Central	5	16	3	5	2	14	5	5	10
• Southeast	7	13	3	4	1	1	6	5	6
Average online training certifications per employee ¹	46	36	17	14	12	12	17	13	14
Average online training hours per employee ²	35	27	13	11	10	12	13	10	11
Annual core training certification rate:									
• KBnxt White Papers ³	92%	98%	96%	97%	91%	90%	83%	87%	83%
• Ethics Policy	100%	100%	100%	100%	99%	99%	98%	96%	97%
• 100% Complete/100% Satisfied ⁴	94%	99%	98%	97%	92%	97%	100%	90%	85%
• My Home. My Earth. ⁵	N/A	99%	99%	95%	93%	83%	85%	85%	81%
Number of safety certifications ⁶	6,874	2,125	210	200	20	235	894	1,045	901

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 2013 G4 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. “10-K” refers to our 2015 Annual Report on Form 10-K for the fiscal year ended November 30, 2015. 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>.

Indicator	Description	Location
ENVIRONMENTAL		
G4-EN7	Reductions in energy requirements of products and services	pages 8–9, 11–15
G4-EN15	Direct Greenhouse Gas (GHG) emissions (scope 1)	pages 32, 34
G4-EN16	Energy indirect Greenhouse Gas (GHG) emissions (scope 2)	pages 32, 34
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	pages 8–9, 11–15, 17–18, 34
ECONOMIC		
G4-EC1	Direct economic value generated and distributed	pages 29–30, 35; 10-K
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	10-K
G4-EC7	Development and impact of infrastructure investments and services supported	page 36
SOCIAL PERFORMANCE: SOCIETY		
G4-S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs	pages 29–32
G4-S04	Communication and training on anti-corruption policies and procedures	pages 31, 36
SOCIAL PERFORMANCE: LABOR PRACTICES & DECENT WORK		
G4-LA6	Type of injury and rates of injury	page 36
G4-LA9	Average hours of training per year per employee	page 36
SOCIAL PERFORMANCE: PRODUCT RESPONSIBILITY		
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling	pages 8–27, 30
G4-PR5	Results of surveys measuring customer satisfaction	pages 30–35
STRATEGY AND ANALYSIS		
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	pages 5–6

GLOBAL REPORTING INITIATIVE INDEX OF INDICATORS (CONT.)

Indicator	Description	Location
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ORGANIZATIONAL PROFILE

G4-3	Report the name of the organization	page 2
G4-4	Report the primary brands, products, and services	page 2
G4-5	Report the location of the organization's headquarters	pages 2, 31, 40
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	page 2
G4-7	Report the nature of ownership and legal form	10-K
G4-8	Report the markets served	page 2; 10-K
G4-9	Report the scale of the organization	pages 2, 31; 10-K
G4-10	Report the total number of employees	page 36
G4-11	Report the percentage of total employees covered by collective bargaining agreements	page 36
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	pages 29–30; 10-K
G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents and report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report	pages 31–32, 10-K

REPORT PARAMETERS

G4-18	Identified material aspects and boundaries	page 4
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	N/A
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	N/A
G4-28	Reporting period (such as fiscal or calendar year) for information provided	page 4
G4-29	Date of most recent previous report (if any)	page 4
G4-30	Reporting cycle (such as annual, biennial)	page 4
G4-31	Provide the contact point for questions regarding the report or its contents	page 53

GOVERNANCE, COMMITMENTS AND ENGAGEMENT

G4-24	Provide a list of stakeholder groups engaged by the organization	pages 9, 31
G4-25	Report the basis for identification and selection of stakeholders with whom to engage	pages 7, 31
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	pages 7, 31–32 page 31, 10-K or proxy
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	page 31
G4-37	Mechanisms for providing recommendations to highest governing body	page 25
G4-38	Board structure and independence of members	page 31; 10-K or proxy
G4-39	Report whether the Chair of the highest governance body is also an executive officer	page 31



Asher, a LEED-certified KB Home community at Playa Vista in California

For more information on our
energy-efficient homes, visit:
kbhome.com/sustainability
kbhome.com/eDIFFERENCE

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