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The 2010 KB Home Sustainability Report provides a public update to our previous reports, published in July 2008, May 2009 and April 2010. Our goal is to identify our accomplishments and challenges in 2010 in order to foster continued discussion and engagement with all of our stakeholders on the complex issues of sustainability and outline our goals for 2011.

All information provided in this report, including financial data, is for our fiscal year ended November 30, 2010, unless otherwise noted and represents our best efforts to portray our progress and results against our sustainability objectives. We have also identified a number of goals and priorities for 2011, though these may be adjusted if there are significant shifts in the business climate.

In developing this report, we continue to follow the Global Reporting Initiative (GRI) Guidelines, which provide an increased level of accountability and transparency and are considered by many environmental experts to be the current standard framework for sustainability reporting. A full accounting of the GRI indicators addressed and more information on GRI’s guidelines can be found in the Global Reporting Initiative Index of Indicators at the end of this report.

We intend to continue to issue additional sustainability reports in the future in order to reflect the integral role that sustainability plays in KB Home’s business.

KB HOME’S VISION FOR SUSTAINABILITY

To become a leading environmentally friendly national company by engaging the talents of our employees and trade partners, utilizing the power of our innovative business model to minimize the impact of our business and homes on the environment, to increase positive change in the protection of our Earth and its resources and to continue to make the dream of homeownership attainable.
A MESSAGE FROM JEFF MEZGER, KB HOME’S
PRESIDENT AND CHIEF EXECUTIVE OFFICER

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

All of us at KB Home are proud to publish our fourth annual Sustainability Report. 2010 was a year in which many milestones were reached for us as a company, even as we continued to operate in historically challenging market conditions. We achieved many objectives in both our business operations and our sustainability initiatives. And I am pleased to say that at this point in our journey toward our goal of becoming a leading environmentally friendly national company, these two areas are increasingly inseparable from one another. In fact, our sustainability principles and priorities are a driving force in many areas of our business – from the homes we build to the way we operate on a daily basis. Above all, we have found that often what is good for the environment is also good for our customers and our company.

In 2010, KB Home found many new ways to help our homebuyers save money while promoting sustainability through our ongoing My Home. My Earth® initiatives. Many of the energy-efficient, water-saving and other environmentally focused features of a KB home are included at virtually no additional cost to our buyers, while meaningfully reducing their ongoing cost of homeownership. In an industry that does not have many “game changers,” this is definitely one of them, and KB Home has clearly established itself as the frontrunner in building environmentally conscious homes that remain affordable for today’s buyers.

I would like to share with you some of the highlights of the past year:

•  **KB Home built its 60,000th ENERGY STAR® qualified home since 2000.** We were the first major homebuilder to commit to building all new home communities to the U.S. Environmental Protection Agency’s ENERGY STAR guidelines, and continue to be a leader in building energy-efficient homes across America. KB Home was recently recognized by the EPA as a 2011 ENERGY STAR Sustained Excellence Award winner, their highest honor, based on our many years of successfully working together.

•  **Our company made history by becoming the first builder in the country to construct new homes to the EPA’s new WaterSense® specification.** These homes typically use at least 20% less water than standard new homes and can save a family of four approximately 50,000 gallons of water each year when compared to a traditional existing home.

•  **We were named the #1 Green Homebuilder based on a study conducted by Calvert Investments, a leading asset management firm in the area of sustainable and responsible investing.** The study reaffirmed KB Home's industry-leading position when it comes to sustainability, while noting that KB Home remains the only national builder to publish a comprehensive sustainability report.

•  **KB Home joined EPA's WasteWise program, and our Job Site Waste Reduction Leaders across our divisions are identifying more areas in which we can reduce waste in our construction operations everyday.** In 2010 alone, KB Home recycled or diverted from landfills approximately 29 million pounds of waste.

•  **And in March 2011, KB Home was named the #1 Homebuilder in FORTUNE magazine’s 2011 list of the World’s Most Admired Companies.** This is the third time in the past four years that KB Home has achieved the top ranking, and our company also achieved the highest score in the subcategories of innovation, people management and social responsibility among homebuilders.
Our sustainability initiatives are not only ingrained in our culture, they are cementing the KB Home brand as the #1 environmental choice for homebuyers.

As much as we have accomplished, however, we know that there is always more that can be done. The pages that follow outline KB Home’s progress against our stated sustainability goals of 2010 and also share our new goals for 2011 in the areas of consumer awareness and education, water efficiency and conservation, building sciences innovation and waste reduction.

We have also highlighted a few of the interesting pilot projects and new technologies we have explored along the way, from the KB Home GreenHouse™ to the exciting launch of our new KB Home Energy Performance Guide™ in all of our new homes. These endeavors embody the innovation and inquisitive spirit that KB Home stands for in all areas of our business, including our sustainability initiatives.

By combining the diverse talents of our creative and committed team, KB Home is building a new generation of homes across America that we believe will deliver lasting value for our homeowners and our planet for decades to come.

Sincerely,

Jeffrey T. Mezger
President and Chief Executive Officer
KB Home

“Our sustainability principles and priorities are a driving force in many areas of our business – from the homes we build to the way we operate on a daily basis. Above all, we have found that often what is good for the environment is also good for our customers and our company.”

Jeff Mezger, President and Chief Executive Officer, KB Home
AWARDS AND MILESTONES

KB Home has received numerous awards and recognition over the past year for its efforts related to sustainability at both the national and local level. Below are some of the highlights:

KB Home was honored by the U.S. Environmental Protection Agency as a 2011 ENERGY STAR® Sustained Excellence Award winner, the highest honor that any organization can win, based on our many years of successful collaboration.

Calvert Investments, a leading asset management firm in the area of sustainable and responsible investing, named KB Home the #1 Green Homebuilder in the nation.

KB Home became the first builder in the nation to build new homes to the Environmental Protection Agency’s new WaterSense® specification.

Named #1 Homebuilder in FORTUNE magazine’s 2011 list of the World’s Most Admired Companies and ranked #1 in the subcategories of innovation, people management and social responsibility among homebuilders.

Green Homebuilder Magazine named KB Home Builder of the Year in 2010.

In 2010, Build It Green recognized KB Home’s Northern California division with the Green Award for GreenPoint Rated Builder of the Year in the category of single-family homes.

KB Home’s Las Vegas division received the Water Hero Award from the Water Conservation Coalition in recognition of the company’s commitment to water conservation in the community.
2010 MY HOME. MY EARTH.®
COMMITMENTS AND RESULTS

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

1. Offer environmentally friendly and affordably priced homes, products and features that minimize our homeowners’ carbon footprints and energy usage, conserve natural resources and create more sustainable homes and communities.

2. Utilize our history of innovation and our process-driven approach to reduce waste and natural resource usage throughout our organization.

3. Be an active and responsible member of the communities in which we operate.

4. Be an environmental educator for all our employees, homebuyers and business partners regarding home energy conservation and environmental sustainability.

5. Maintain our standards of transparency and corporate citizenship by publicly reporting on the progress in and challenges to our sustainability efforts.

KB Home’s 2009 Sustainability Report outlined a number of specific, measurable actions that we committed to in 2010 in an effort to further our goal of becoming a leading environmentally friendly national company. Our 2010 commitments and results, which are outlined in the pages that follow, relate to three key areas of focus: Water Efficiency and Conservation; Building Sciences Innovation; and Job Site Waste Reduction. Along with the progress we have made, we also identify the challenges we have faced and the goals we are still working to achieve.
KB HOME COMPLETES THE FIRST WATERSENSE® LABELED HOMES IN THE NATION

In November 2010, KB Home, in partnership with the U.S. Environmental Protection Agency (EPA), announced the first homes in the nation to earn the WaterSense label at KB Home’s Springwood community in Northern California. When complete, the community located just east of Sacramento in Roseville, California, will be the first in the nation in which every home has been certified to meet EPA’s specification for water-efficient new homes. KB Home is currently building additional communities of homes following these new guidelines in its Northern California, Central Florida and Central Texas divisions.

Each WaterSense labeled new home is independently inspected and certified to ensure EPA criteria are met for both water efficiency and performance. A WaterSense labeled new home built in one of KB Home’s communities is designed to use at least 20% less water than a standard new home inside and out, and can save a family of four approximately 50,000 gallons of water a year when compared to a traditional existing home.

KB Home provides WaterSense certification as standard in its Springwood community at no additional cost to homebuyers. The homes include a range of water-saving products and features such as:

- water-efficient showerheads and kitchen and bath faucets from Moen®;
- 1.28-gallons per flush toilets from Kohler-Sterling®;
- hot water distribution systems with on-demand recirculation pumps; and
- water-efficient landscaping with Hunter® weather-based irrigation controllers.

According to the EPA, residential water use accounts for more than half of publicly supplied water consumption in the United States. The WaterSense program provides a blueprint for homes that helps homeowners save water and energy, which, in turn, helps lower their utility bills.

The number of gallons of water a family of four can save each year in a WaterSense labeled new home compared to a traditional existing home. That’s enough water to do almost 1,200 loads of laundry, take showers for an entire decade or fill five residential swimming pools. These homes typically use at least 20% less water than standard new homes and include not only WaterSense labeled plumbing fixtures, but also highly efficient irrigation systems and other water conserving products and features.
“Water is one of the most precious resources in our communities and country. KB Home has proven to be an industry leader through its remarkable work to promote water efficiency in individual homes and across entire neighborhoods. EPA greatly appreciates having KB Home as a dynamic partner in the WaterSense program, which is helping homeowners save water one drop at a time.”

Nancy Stoner, Acting Administrator for the Office of Water, U.S. Environmental Protection Agency

**AREA OF FOCUS**
Increase the water efficiency of newly constructed KB homes in order for homeowners to reduce water consumption over the lifetime of the home.

**2010 COMMITMENT**
Introduce additional WaterSense labeled products with a goal of 100% WaterSense toilets and showerheads installed in KB homes, in addition to the WaterSense bathroom lavatory faucets that we currently install in all our homes.

**PROGRESS**
**COMPLETED**
In 2010, KB Home ensured all toilets and showerheads offered as both standard and upgraded options in KB homes were WaterSense labeled.

**2010 COMMITMENT**
Determine a target to reduce the water consumption of the homes we build compared to average new homes.

**PROGRESS**
**COMPLETED**
The target we established was to reduce water consumption in the bathrooms of KB homes by at least 20%. We achieved this by using WaterSense labeled fixtures. All KB homes built at the end of 2009 included WaterSense labeled lavatory faucets that are at least 30% more water efficient than standard fixtures. By the end of 2010, all KB homes included WaterSense showerheads and toilets as well, generating 20% water efficiency compared to standard models. As the EPA brings new WaterSense labeled products online, we will evaluate them for company-wide adoption to further improve the water efficiency of our homes.

**NOW STANDARD IN ALL KB HOMES**

**WATERSENSE® Labeled Products in Every KB Home**
The WaterSense labeled faucets, showerheads and toilets now installed in every new KB home can not only help save water, but also energy for homeowners. Inclusion of these water-efficient products in KB homes also benefits the overall community by saving energy and reducing the need for additional infrastructure for water treatment and transportation. For every 5,000 KB homes that are outfitted with WaterSense labeled bathroom faucets, showerheads and toilets, the projected annual savings\(^*\) include:

- 100 million gallons of water
- 10 million cubic feet of natural gas
- $800,000 in water and natural gas bills

\(^*\)Savings estimate when compared to traditional existing homes per EPA WaterSense calculator. Calculations based on household size of four.
The number of gallons of water saved every day by the 7,500+ Water Smart New Homes built by KB Home in Las Vegas since 2005. KB Home was the first major builder to join the Southern Nevada Water Authority program and builds 100% of our Las Vegas area homes to this standard at no additional cost to our homebuyers. Water Smart homes on average use 49% less water than past traditional homes (Source: Southern Nevada Water Authority, Water Smart Homes Study, 2010).

In 2010, KB Home’s Las Vegas division received the Water Hero Award from the Water Conservation Coalition in recognition of the company’s commitment to making a difference through water conservation in the community.

### AREA OF FOCUS
Reduce the amount of fresh water consumed in the operation of our business and help to further protect water resources.

### 2010 COMMITMENT
Determine how to effectively estimate fresh water consumption within our operations in order to establish a baseline to reduce this usage and help to further protect water resources.

### PROGRESS
PARTIALLY COMPLETED
While isolating this data is difficult, as our bills typically combine freshwater and waste water costs, we have focused our efforts first on estimating the freshwater consumption of our model home complexes by division. Now that we have this baseline, we intend to track this usage on an annual basis and find ways to reduce it.

We are committed to using reclaimed water in our operations to the extent that it is available and economically feasible. Currently only two divisions have this water available for use in their operations, and they are using it.

### WATERWISE LANDSCAPING SHOWS THE BEAUTY OF CONSERVATION
In 2010, we used the EPA’s WaterSense specification as a guide in developing new landscaping alternatives for our model homes. These new designs demonstrate just how beautiful conservation can be.

100% of our divisions used plants that are native to the local environment in landscaping their model homes and, also in 2010, at least half of the divisions used landscaping materials that require little or no watering, reduced turf areas, used weather-smart irrigation systems and used signage or other tools to inform customers about water-efficient landscaping. A few of our divisions have incorporated even more sustainable ideas into their model home landscaping, including planting edible gardens, using recycled glass and tires in lieu of bark and sod, and installing rainwater collection containers.
**BUILDING SCIENCES INNOVATION**

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<th>AREA OF FOCUS</th>
<th>2010 COMMITMENT</th>
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<td><strong>Increase the efficiency of our homes through continued improvement in our construction practices and materials.</strong></td>
<td><strong>Create an internal building sciences innovation team to analyze current materials and processes and identify potential new opportunities with a goal of developing at least one new major process and/or materials improvement this year.</strong></td>
<td><strong>COMPLETED</strong>&lt;br&gt;We formed a building sciences innovation team, which is comprised of leaders from our architecture, purchasing and operations functions. This team has been working together to implement new ideas and technologies. One example of a major new materials improvement in 2010 was including radiant barrier roofing material as a standard feature in all homes located in appropriate climates (see box below). An added benefit of using radiant barrier roofing is that we have been able to reduce the size of the air conditioning systems required for many of our new homes.</td>
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<th>AREA OF FOCUS</th>
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| **Investigate, create and pilot innovative new techniques and products that significantly advance building sciences and our ability to provide earth-friendly, energy-efficient new homes.** | **Test new ideas, implement building sciences innovations and explore opportunities in pilot homes and/or communities.** | **COMPLETED**<br>KB Home designed and constructed pilot homes to test and implement new technologies in 2010:  
- A demonstration home in KB Home’s Alamosa community in Lancaster, CA featured a new solar energy storage battery system and “smog-eating” roof tiles.  
- The KB Home GreenHouse™: An Idea Home Created with Martha Stewart was our first net-zero energy home that also included a number of materials that were new to KB Home such as solar thermal water heating and spray-on roof insulation. The home was unveiled at the International Builders’ Show in Orlando in January 2011.  
In 2010, KB Home also became the first major builder to offer pre-wiring for an electric vehicle charging station as an option nationwide. |

**NOW STANDARD IN ALL KB HOMES**

**RADIANT BARRIER ROOFING**

Radiant barrier roof sheathing, which can save homeowners up to 17% on monthly cooling bills, is now built into every KB home as a standard feature at no added cost. This product helps block the sun’s radiant heat from entering the attic through the roof, which can lower attic temperatures by as much as 30 degrees in the summer and help reduce the load on the home’s HVAC system.
In July 2010, in partnership with the City of Lancaster and BYD, KB Home opened a first-of-its-kind prototype home at its Alamosa community in Lancaster, California. KB Home utilized renewable energy-related materials including a solar photovoltaic (PV) system and an energy storage battery system as well as LED energy-efficient lights from BYD, one of the fastest-growing Chinese automotive and green energy technology manufacturers. This was the first time these innovative new products were used in the U.S.

While the home was built to ENERGY STAR guidelines, it also greatly exceeded them. This home’s Home Energy Rating System (HERS) Index score was 39. An ENERGY STAR qualified home typically achieves a HERS score of 85 or less, but because this home has features such as a cool roof, ENERGY STAR low-E3 windows, a 14 SEER air conditioner, additional insulation throughout and renewable solar PV, it was rated well below that requirement.

This home’s solar PV system can produce 4kW of power a day. Its energy storage batteries can hold up to 10kWh of power. This is enough to provide backup power for up to 24 hours in case of a power outage emergency and is also intended to allow the homeowner to power the home with this battery during peak usage hours, instead of paying an escalated rate from the power company.

KB Home also installed an outlet in the garage to demonstrate the home’s ability to charge an electric vehicle. BYD displayed its electric vehicles during a media preview event at the home.

This prototype home also marked the U.S. debut of another new earth-conscious building product – Boral Roofing’s BoralPure™ roof tiles, more commonly known as “smog-eating” tiles. The roof tiles are treated with titanium dioxide, a compound that oxidizes nitrogen oxide when the roof tiles interact with sunlight. The remaining nitrate washes off the roof when it rains, and helps plants grow.\(^1\) Based on studies, Boral Roofing estimates that depending on location, weather and other factors, over one year 2,000 square feet of these tiles can oxidize approximately the same amount of nitrogen oxide as a car produces from being driven up to 10,800 miles.\(^2\)

The home was open to the public and served as an education platform for our supplier partners, other local builders, electric and natural gas utility companies, and the City of Lancaster.

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\(^1\) In addition to providing nutrition for plants, calcium nitrate has a restorative effect on soil. The calcium nitrate residue which reaches the ground as rainwater runoff over the course of time is in small concentrations which are less than the concentrations found in normal lawn and plant fertilizer used over that same time period. The calcium nitrate concentrations may vary depending on weather conditions including the frequency and intensity of rainfall, geographic location and other factors, including but not limited to the concentration of nitrogen oxide in the air.

\(^2\) U.S. Environmental Protection Agency Vehicle Program Tier 2 Standard; Daylight hours based on Los Angeles, California; Laboratory air-purification performance testing per ISO 22197-1: 2007; results may vary depending on geographic location, weather and other factors.
KB HOME GREENHOUSE™: AN IDEA HOME CREATED WITH MARTHA STEWART

The KB Home GreenHouse: An Idea Home Created with Martha Stewart celebrated its debut at the January 2011 International Builders’ Show in Orlando, Florida. Presented as the 13th home in Builder magazine’s Concept Home series, the GreenHouse was KB Home's first certified net-zero energy project. In designing and building the home, KB Home's goal was to explore green building technologies that were new to the company, while at the same time demonstrating that a “green” home could be not only energy and water efficient, but also beautiful, affordable and functional.

Built in KB Home's Lake Burden community in Windermere, Florida, the GreenHouse was recognized by the U.S. Department of Energy and its Building America program as a “Maximized Energy Efficient Home” for its HERS index score of zero. The home achieved the certification of LEED Platinum by the U.S. Green Building Council, with high scores in the areas of innovation, energy, water efficiency and indoor environmental quality. This offset the fact that the home's suburban location did not position it to score any points under the LEED ratings system for criteria such as being part of an infill development or near mass transit services. The home was also ENERGY STAR qualified, WaterSense labeled and Environments For Living Certified Green.

We achieved this level of resource efficiency by working with some of our key suppliers to use the best materials for the job and implement new technologies. One example was the real-time energy monitoring system created by Verve exclusively for this project. Verve enabled a touch-screen computer in the kitchen workspace to monitor, in real time, the home's electricity generation and electricity, water and propane consumption. Such a system can help influence homeowners' energy and water consumption behavior and may be available to KB Home homebuyers in the future. Other technologies explored in the home included solar thermal water heating, a new type of roof insulation and new construction techniques for the building envelope.

The opening of the GreenHouse hosted by KB Home with Martha Stewart and Builder magazine generated tremendous interest among consumers and industry professionals alike, garnering nearly 50 million print, online and broadcast media impressions. Over 1,500 people toured the home during the event, while others explored the GreenHouse in a virtual online tour available at www.builderconcepthome2011.com.

FACES OF SUSTAINABILITY

“With the GreenHouse, KB Home found an exciting and innovative way to bring the idea of green living to the mainstream – this was a green home that the average homebuyer could really imagine themselves living in.

KB Home is demonstrating that production homebuilders can build greener homes while keeping them affordable for more buyers.”

Nate Kredich, Vice President of Residential Market Development, U.S. Green Building Council
## JOB SITE WASTE REDUCTION

### AREA OF FOCUS
Reduce job site waste in order to minimize the environmental impact of our construction operations.

### 2010 COMMITMENT
Create company-wide job site waste reduction standards to be implemented in every KB Home division as a minimum performance requirement.

### PROGRESS
**PARTIALLY COMPLETED**
Our emphasis in 2010 was on implementing waste reduction standards based on division-by-division action plans that capitalized on specific local opportunities and infrastructure. We are currently working to drive 100% participation in our divisions to complete their respective quarterly action plans, with the long-term goal of creating company-wide job site waste reduction standards.

### 2010 COMMITMENT
Identify a Job Site Waste Reduction Leader in every division to drive local implementation of job site waste reduction best practices and measurement of results.

### PROGRESS
**COMPLETED**
KB Home’s GROW (“Get Rid of Waste”) liaisons in each division now serve as Job Site Waste Reduction Leaders, improving the accountability and measurement of these efforts.

### 2010 COMMITMENT
Create a company-wide waste tracking system and implement measurement in every division.

### PROGRESS
**COMPLETED**
Since November 2009, our divisions had been utilizing a Waste Tracker system to report waste diverted by category for their divisions and/or individual communities, utilizing data supplied by trash service providers.

In 2010, a new Waste Estimator tool was developed to allow divisions to estimate this data community-by-community and roll it up by the number of annual deliveries in each community. All divisions now utilize this program.

### FACES OF SUSTAINABILITY
“In 2010, our division met its goal of recycling 80% of its construction waste in the Orlando area. We also took many steps to curb the amount of waste that is generated on our job sites to begin with. For example, we minimized excess material that is leftover in the building process through more precise ordering and more efficient installation methods. We have also worked with our suppliers to repurpose scrap materials for other uses.”

Chad Burlingame, Vice President of Purchasing, Central Florida and Job Site Waste Reduction Leader, KB Home
SNAPSHOTS IN SUSTAINABILITY:
ENERGY-EFFICIENT HOMES

INDUSTRY LEADERSHIP IN ENERGY EFFICIENCY

KB Home is an industry leader in building energy-efficient homes. In 2008, we were the first major homebuilder to commit to building every home in newly opened communities in 2009 and beyond to ENERGY STAR guidelines, an industry-leading move that more builders are now following.

We also continue to offer only ENERGY STAR qualified refrigerators, dishwashers and washing machines. According to EPA estimates, the 13,292 ENERGY STAR qualified appliances we installed in 2010 (in lieu of traditional models) will reduce CO₂ emissions by up to 312 metric tons, and reduce water consumption by up to 16 million gallons of water. In the process, we estimate that our homeowners could save more than $333,000 on their utility bills.

KB Home is continuously making its homes more energy-efficient and adding new earth-conscious products to its array of home options. For example, in 2010, KB Home added radiant barrier roofing material as a standard feature in all of its new homes, ensured that all room fans were ENERGY STAR qualified and added a number of new energy-efficient options available to homeowners, from ENERGY STAR qualified ventilation fans and kitchen hoods to a pre-wiring option for an electric vehicle charging station in the garage.

PERCENTAGE OF NEW KB HOME DELIVERIES THAT ARE ENERGY STAR® QUALIFIED

The cumulative number of ENERGY STAR qualified homes built by KB Home since 2000. This year, the families living in those 60,000+ ENERGY STAR qualified homes could save more than $26 million on their utility bills, while avoiding greenhouse gas emissions equivalent to those from 29,400 vehicles, according to EPA estimates.
ALL NEW NORTHERN CALIFORNIA KB HOME COMMUNITIES NOW GREENPOINT RATED

In KB Home’s 2009 Sustainability Report, we introduced North Haven, KB Home’s first GreenPoint Rated community of single-family homes in highly desirable San Jose, California. Since then we have significantly expanded our involvement in this program with the commitment that all new KB Home communities opened in Northern California in 2010 and beyond would be GreenPoint Rated.

GreenPoint Rated homes are scored in five categories:
• Energy Efficiency
• Water Conservation
• Indoor Air Quality
• Resource Conservation
• Livable Communities

And because we build our homes to this rigorous standard at no additional cost to our buyers, KB Home is making sustainable living more affordable.

In 2010, nonprofit Build It Green recognized KB Home with the “Green Award for GreenPoint Rated Builder of the Year” in the category of single-family homes, an outstanding recognition from this well-respected organization.

FACES OF SUSTAINABILITY

“All new KB Home communities in Northern California are now built to rigorous GreenPoint Rated standards. We worked closely with our trade partners and suppliers to find ways to build a more energy- and resource-efficient product without increasing our home prices, keeping our homes affordable while giving our buyers the added benefit of potentially saving money on their utility bills over the long term.”

Katrina Mancillas, Purchasing Director, Northern California, KB Home
In 2010, KB Home conducted a pilot study aimed at measuring the gas and electric utility cost savings associated with owning and operating an energy-efficient KB home versus other neighboring homes in Southern California.

While individual homeowner energy usage and costs varied, KB Home’s pilot study found that, on average, the combined gas and electric expenditures for an ENERGY STAR qualified KB home were approximately $85 a month or $1,020 a year. In contrast, the 2008 American Community Survey, a study performed by U.S. Census Bureau, found that, on average, homeowners living in the same area reported spending about $195 a month or $2,340 a year on gas and electric bills.

KB Home is planning to conduct similar research in other markets in which it builds.

The pilot study involved a sample of approximately 50 KB Home homeowners in Riverside County, California who had purchased a 1,000 to 2,000 square foot ENERGY STAR qualified KB home and lived in the home for at least one year. Homes in the study included three or four bedrooms. In cooperation with local utility companies, the participating homeowners agreed to voluntarily share their monthly gas and electric utility bills with KB Home researchers, covering a period from June 2009 to July 2010.

The 2008 American Community Survey used as a comparison also looked at costs associated with a three or four bedroom home. The data was based on 2,550 residents living in Riverside County, California. Further research is required to determine if similar savings can be achieved in other areas or by other homeowners.

KB Home designs and constructs its homes to be among the most energy efficient on the market today and has been building all of its homes in newly opened communities to the ENERGY STAR guidelines since 2009. The EPA has strict requirements for a home to qualify for an ENERGY STAR label. Each home must include well-insulated floors, walls and attics, properly sealed duct systems and energy-efficient appliances, windows and heating and cooling equipment. Additionally, ENERGY STAR homes are tested and certified by an independent, third-party inspector to help ensure that they meet the EPA’s rigorous energy-efficiency standards.

“As a science teacher and avid outdoorsman, it sure makes me feel better knowing that I have bought a very green home. We moved from a 1,182 square foot home to a new 2,367 square foot KB home, and our energy costs actually decreased by over 30% to around $200 per month. Bottom line is we have doubled our square footage and lowered our energy bills. Our new KB home is VERY efficient.”

Justin Harris and his wife Stephanie, KB Home homeowners since May 2010
La Vista at the Collections community in Southern California

**ENERGY USAGE SNAPSHOT**

Average monthly energy costs for KB homeowners in a 1,000-2,000 square foot ENERGY STAR qualified home.

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<td><strong>ELECTRICITY</strong></td>
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Source: KB Home 2010 Energy Usage Study.
SNAPSHOTs IN SUSTAINABILITY:
CONSUMER EDUCATION

In our 2009 Sustainability Report, KB Home discussed our continuing emphasis on consumer education related to our earth-conscious homes and products and our particular effort to demonstrate how potentially saving money through efficiency features can go hand in hand with helping to save the earth's precious natural resources. To this end, KB Home has made the earth-conscious features of its homes an integral part of its outreach to consumers.

DISPLAYS

Educational displays in every one of our sales offices and KB Home Studios nationwide highlight the value of ENERGY STAR qualified homes and the other earth-conscious products that we offer. We also place informational tags next to such products in both our model homes and Studios to further educate buyers about the benefits of these features.

KB Home's emphasis in 2010 was on increasing the number of our homebuyers who choose My Home. My Earth. options rather than increasing the number of options offered. Our goal in this regard was achieved as the number of My Home. My Earth. optional upgrades installed in 2010 was up 10% over 2009, even though our total number of new home deliveries declined 13% year-over-year.

EVENTS

In July 2010, KB Home hosted national My Home. My Earth. events across our divisions that were aimed at increasing homebuyer awareness and understanding of the earth-conscious features of a KB home. Also in 2010, every KB Home division hosted a series of “How to Buy a Home” educational events, which included a segment on the benefits of energy-efficient homes. In many cases, independent home energy raters were invited to present this portion of the program to consumers.

WEBSITE

The KB Home website features a video highlighting an example of the independent verification work that home energy raters perform to ensure our homes meet ENERGY STAR certification requirements. We also expanded the content of our website by featuring homebuyer testimonials on the benefits of owning an ENERGY STAR home, and by partnering with our trusted suppliers, such as Whirlpool® and Sea Gull Lighting®, to offer deeper information about their ENERGY STAR qualified products.

In addition to educating our homebuyers, we are dedicated to educating ourselves about sustainability on a continuing basis. In the spring of 2010, KB Home organized a meeting of various green industry experts from around the country for a full day of brainstorming to discuss new ideas, challenges and opportunities for KB Home in the realm of sustainability. Specific topics included ways to reduce water usage (both inside and outside of the home), smart building practices related to HVAC, other construction and building innovations, energy savings and home controls. In fact, a number of the solutions discussed during this meeting were explored and utilized in the KB Home GreenHouse concept home featured on page 13.
SNAPSHOTS IN SUSTAINABILITY:
SOCIAL AND CHARITABLE CONTRIBUTIONS

As a homebuilder, we feel strongly about the basic need for all people to have access to adequate shelter. As a result, much of our charitable giving centers around shelter-related causes and assistance for children and their families, including both in-kind donations of labor and furnishings as well as the gift of volunteer time. In addition, KB Home supports causes that help to improve quality of life for all the residents of the areas in which we build, including quality education and medical care, as well as the critical issue of access to food. Following are some examples of our charitable activities in 2010:

SHELTER

• Our Central Florida division is a key supporter of Harbor House, the only shelter in Orange County, Florida for victims of domestic violence. In 2006, KB Home and more than 75 trade partners completed the construction of a new 7,500 sq. ft. domestic violence center and donated it to Harbor House, at an estimated value of more than $2 million. In 2010, KB Home stepped forward again to help build a new 10,000 sq. ft. children’s center on the Harbor House campus valued at approximately $2.3 million. The new children's center is scheduled to open in late spring 2011.

• Our Colorado division served as Job Captain for the construction of seven new townhome units for Colorado Homeless Families, a nonprofit transitional housing program serving families with children who have recently become homeless to help them get back on their feet. Together with HomeAid Colorado, KB Home completed the townhomes in December 2010, providing 42 beds in new homes to these Colorado families in need.

• Our Colorado division is a long-standing supporter of the Denver Children’s Advocacy Center (DCAC), a nonprofit agency that serves over 800 sexually and physically abused children and their families in the Denver metro area with ongoing counseling. Since 2005, KB Home and our subcontractors have voluntarily provided approximately $700,000 in construction and remodeling services to DCAC. In addition to remodeling the first DCAC house in 2005, KB Home served as Job Captain for the construction and remodel of a second 7,000 sq. ft. DCAC home in 2010, a project which earned the Mayor’s Design Award for Reclaiming Splendor. In November 2010, KB Home was honored with the “Outstanding Corporation” award during the 2010 National Philanthropy Day in Colorado for its work at the center and continues to provide resources to maintain the campus facilities. Separately, our Colorado division assisted in the replacement of roofing, siding and windows at the Lochbuie Senior Center after the facility was damaged in a hailstorm.

CHILDREN & FAMILIES

• Our Las Vegas division sponsored the Night of Lights event benefiting St. Jude’s Ranch for Children, which assists abused, abandoned and neglected children of all races and faiths and provides a home-like environment to help them start new lives.

• Our Central Texas division has organized the NFL Alumni Golf Classic for eight years, raising more than $100,000 annually for the Center for Child Protection in Austin.

• Our Northern California division donated 50 cribs and toys to Keeping Babies Safe/Children’s Hospital Oakland at a value of over $5,000. The division also donated model home furniture valued at $20,000 to the Fremont Senior Center in Fremont, CA and Snow Line Hospice in Folsom, CA.
FOOD & MEDICAL CARE

• Our Southern California division has raised over $500,000 for Riverside County Regional Medical Center over the last four years through our KB Home Annual Golf Tournament, and is committed to helping raise a total of $1 million.

• Our Northern California division donated Studio display appliances and carpet samples to the Oakland/Alameda County Food Bank and Valley Animal Shelter. In addition to collecting food at all of its Sacramento-area communities, our Northern California division contributed $7,500 to the Placer County Food Bank after pledging to donate $5 for every item collected in a food drive to benefit local families. The division also donated work hours and participated in a food drive benefiting the Oakland/Alameda County Food Bank.

• Our Las Vegas division donated furniture, artwork, cubicles, office supplies, televisions and plants to the Nehemiah Global Foundation, an organization that helps feed homeless people while training and educating them for jobs.

• Our Carolinas division orchestrated a food drive at all Raleigh/Durham KB Home communities for Second Harvest Food Bank of Central and East North Carolina and sponsored a toy drive at all Raleigh/Durham KB Home communities for Duke Children’s Hospital in Durham.

MEETING OTHER LOCAL NEEDS

• Our Northern California division is a proud sponsor of Save Mount Diablo, a nonprofit organization in the San Francisco Bay Area that works to preserve, defend and restore the land on and around Mount Diablo to ensure healthy ecosystems and continued access for people and wildlife to enjoy. KB Home was a sponsor for the organization’s 9th Annual Moonlight on the Mountain event.

• Our Central Texas division supported numerous community events in 2010, including: providing 1,500 school backpacks and other back-to-school supplies to community schools and nonprofit organizations; coordinating a cereal drive and donation for Irma’s Angels; participating in four blood drives; donating baby care to Child Protective Services; orchestrating Project Cool, which delivered fans to seniors during the hot Texas summer; orchestrating the donation of 170 pairs of socks to SAMMinistries, a provider of local homeless services; and cleaning debris from flood plains during the city of San Antonio’s annual Basura Bash.

• Our Arizona division donated furniture and office supplies valued at almost $8,000 to a number of local community organizations including Aviva Children Services, Foster Parents, Rancho Sahuarita School District, United Way and Our Family Services.

• Our Las Vegas division donated office furniture and other supplies to the Teacher’s Exchange, a supply warehouse for teachers throughout the Las Vegas Valley to get the supplies they need for their classrooms.

• Our Carolinas division donated school supplies to nonprofit organization Classroom Central for local elementary schools in Charlotte and Raleigh and furniture to local charities including Meck Carres and Helping Hands Mission; participated in the Purple Elephant 5K run to raise money for families of the North Carolina National Guard to keep in touch with loved ones while deployed overseas; donated hard hats and lights to Habitat for Humanity; and sponsored two Adopt-A-Highway events in which employees volunteered their time to keep their communities clean and green.

• Our Central Florida division held an Earth Day Plant Giveaway for visitors and residents of all of its Orlando-area communities on Earth Day in 2010.
KB HOME IS BUILDING S.M.A.R.T. HOUSING™ IN AUSTIN, TEXAS

Since 2000, KB Home has been at the forefront of a key program initiative that has altered how affordable housing is accomplished in Austin, Texas. At that time, the City Council was concerned that the economic prosperity and the corresponding increases in property values were quickly outpacing the ability for working families to afford living in the city. They were also having difficulty obtaining approval for affordable housing projects because of increasing neighborhood opposition to any project that had the perception of having a potentially negative impact on property values.

In order to address the need for affordable housing while assuring neighborhoods of quality developments, the city council adopted the S.M.A.R.T. Housing Initiative in April 2000. The goal was to stimulate the production of new housing that is Safe, Mixed-income, Accessible, Reasonably priced, and Transit-oriented. Additionally, the program requires that all new construction meet basic Austin Green Building standards. For builders willing to provide housing developments that meet these requirements, this voluntary program waives most development and construction fees and expedites plan and permit reviews. The program also requires any homebuyers seeking city down payment assistance for new homes to select a S.M.A.R.T. Housing community.

KB Home was proud to become the first single-family production builder to participate in this innovative program. Shortly after the program’s inception, KB Home’s Springfield community of 559 homes became the first major single-family S.M.A.R.T. Housing residential project.

Ten years later, KB Home’s partnership with the City of Austin has resulted in six successful communities and over 2,500 homes certified under the S.M.A.R.T. Housing program. Demonstrating its continued commitment to the success of this initiative, KB Home’s Central Texas division started two new S.M.A.R.T. Housing certified communities in 2010 that will comprise an additional 485 homes in Parkside at Harris Branch and 47 homes in Lexington Parke (with the option of adding another 900 over the life of the project). With its local knowledge and willingness to work with a paradigm-shifting new program, KB Home has become a critical stakeholder in the region’s S.M.A.R.T. solution to providing quality, affordable housing.

FACES OF SUSTAINABILITY

“Our first home was built by KB Home and we loved it. Yet, we chose a different builder for our second home. We assumed that it would perform as efficiently as the first but our utility bills shocked us into realizing that wasn’t the case. So, in 2007, we returned to KB Home for our third home and are so pleased we did. Our average monthly utility bill for our two-story 3,079 sq. ft. home is $97. That is a $160 per month savings from our previous home, which was 659 square feet smaller and located in a neighborhood with lower per kilowatt costs.”

Debbie Swank and family, KB Home homeowners since 2007  
Circle C Ranch community in Austin
KB Home intends to expand upon our three current areas of focus to move our My Home. My Earth. sustainability goals forward in 2011. These goals are centered upon: Water Efficiency and Conservation; Building Sciences Innovation; and Waste Reduction. We have also added a fourth category for 2011: Consumer Awareness and Education.

Following are our primary intentions behind each of these areas of focus:

**CONSUMER AWARENESS AND EDUCATION**

Raise consumer awareness of the financial and other benefits of our environmental building practices and educate buyers on the earth-conscious features included in our homes.

- Be the first national homebuilder to provide a KB Home Energy Performance Guide™ (EPG) for every new home built in February 2011 and beyond, containing information about the home’s expected performance rating and estimated monthly electric and gas costs.
- Implement national sales, marketing and communications outreach programs on the new EPG and the information it provides to raise awareness among consumers.
- Provide information to buyers and potential buyers on the benefits of environmentally conscious homes and products via KB Home Studio displays, online content and more.
- Identify additional ways KB Home can serve as a leader in raising consumer awareness of environmental building practices.

**WATER EFFICIENCY AND CONSERVATION**

Reduce the water consumed by our homeowners in their day-to-day living in newly constructed KB homes.

Reduce the amount of fresh water consumed in the operation of our business and help to further protect water resources.

- Expand on our industry leadership in building homes to EPA’s WaterSense specification by building more communities that meet WaterSense standards. Continue to partner with EPA to increase consumer awareness of the importance of water-efficient new homes and the WaterSense program.
- Introduce weather-smart irrigation systems in all of the common areas and model home complexes of our new home communities. Offer these systems as an option at the KB Home Studio.
- Explore efficient hot water delivery systems for potential use in all KB homes.
BUILDING SCIENCES INNOVATION

Increase the efficiency of our homes through continued improvement in our construction practices and materials. Investigate, create and pilot innovative new techniques and products that advance building sciences and our ability to provide earth-conscious, energy-efficient new homes.

- Build a net-zero energy “concept home” in every division to demonstrate the latest ideas and products to the homebuying public and other stakeholders.
- Continue to add new environmentally conscious products as standard or optional in all KB homes.
- Improve the energy efficiency of the average KB home by 10%.
- Expand solar projects at KB Home with the goal of making solar more affordable and attainable for homebuyers.

WASTE REDUCTION

Continue to find new ways to reduce waste in our corporate and division offices. Continue to reduce job site waste in order to minimize the environmental impact of our construction operations.

- Increase the number of new-home communities in which we recycle job site waste by 10%.
- Challenge our Job Site Waste Reduction Leaders to further reduce waste in corporate and division offices with new company-wide requirements as part of our Get Rid of Waste (GROW) initiative.
- Drive 100% division participation to complete quarterly waste reduction action plans and continue working toward establishing company-wide job site waste reduction standards.
ON OUR WAY IN 2011...

KB Home is well on its way to executing the sustainability goals the company has set for 2011. A brief update on the year-to-date progress and plans we have made on some of these initiatives is included here.

KB HOME ENERGY PERFORMANCE GUIDE™ (EPG)

KB Home was proud to be the first national homebuilder to provide a new Energy Performance Guide (EPG) with every new home it sells across the country starting in February 2011. The KB Home EPG features a numerical rating of a home’s energy efficiency and an estimate of monthly electric and gas costs.

Similar to the miles per gallon rating, or MPG, which reflects fuel efficiency and is a standard disclosure when purchasing a car, the KB Home EPG informs homeowners and prospective buyers about the relative energy efficiency of a KB home and provides them with an estimated dollar amount for monthly electric and/or gas energy costs for the home as designed.

A home is one of the largest and most important expenditures most people will make in their lifetimes. But there are really two costs to a home – the price you pay up front, and the cost of operating the home on a monthly basis. Homeowners generally have limited, if any, information about their expected monthly energy costs until they move in, especially if they are buying a resale home. By providing an estimate of electric and gas costs to consumers, KB Home is improving transparency in the homebuying process and educating buyers about the tremendous financial benefits of owning an energy-efficient home. We believe this will change the way people shop for homes, and others throughout the industry are now following our lead in providing this important data.

FACES OF SUSTAINABILITY

“Our team at NRDC was pleased to see KB Home announce their new home energy report card, or “Energy Performance Guide” as they describe it – it’s an MPG sticker for houses. KB Home is one of the largest homebuilders in the country. Their leadership on this subject is commendable and very much appreciated.

This is an extremely useful tool for consumers. We hope others in the home industry will take note of the leadership of KB Home and work to deliver to the market more tools that will enable consumers to make better choices.”

Philip Henderson, Senior Financial Policy Specialist, Natural Resources Defense Council (NRDC)
KB HOME NET-ZERO ENERGY “CONCEPT HOMES” IN EVERY DIVISION

The KB Home GreenHouse: An Idea Home Created with Martha Stewart was unveiled at the International Builders’ Show in Orlando, Florida in January 2011 (see page 13 for more information). The home was tremendously successful in demonstrating some of the latest building technologies that were both futuristic and realistic. This net-zero energy home will serve as an example of the “concept homes” we intend to build in each of our divisions in 2011, giving us the opportunity to explore even more new technologies and raise public awareness of the many benefits of environmentally conscious homebuilding across the U.S.

“After more than a year of research, design and construction, the KB Home GreenHouse: An Idea Home Created with Martha Stewart was unveiled in January 2011 at the International Builders’ Show. In addition to being our first net-zero energy home, this project was an incredible laboratory for us to explore technologies that are new to KB Home for our potential future use, and to showcase them to the rest of the production homebuilding world.

As more of these innovative ‘concept homes’ are built in KB Home divisions across the country, we are sure to keep the new ideas flowing and give homebuyers everywhere a glimpse into the future of homebuilding.”

George Glance, Division President, Central Florida, KB Home
AN UPDATE ON SOLAR TECHNOLOGIES

As we have indicated in past sustainability reports, KB Home is working toward a long-term goal of offering homebuyers an attainable and affordable solar electric power option for their homes. In addition to KB Home’s major new commitment to make solar power a standard feature in 10 new Southern California communities, below is an update on a number of programs that were executed in 2010 to help move our solar goals forward:

• KB Home began offering solar electric system options in select Southern California communities. The company has been offering solar electric system options in select Northern California communities since 2005.

• A pilot program to offer a solar power option is continuing in two communities in Denver, Colorado. In addition, KB Home has been offering a solar pre-wire option to our homebuyers in Colorado since 2009.

• We are continuing to utilize both integrated and mounted solar systems, depending on the pricing and aesthetic considerations of each community. Currently, we use building integrated systems in Northern California, for example, while less expensive panel systems fit better with our price points in Southern California. We recently began using roofing techniques to inset the solar panels within the roof tile to minimize the panels’ visual impact.

• Two demonstration homes built by KB Home in 2010 featured solar power technologies:
  • In Lancaster, California, KB Home built a home with state-of-the-art technologies from BYD, including solar panels and energy storage batteries, which have the potential to lead to more affordable solar electricity and energy storage options for Americans across the country.
  • The KB Home GreenHouse: An Idea Home Created with Martha Stewart, unveiled at the January 2011 International Builders’ Show in Orlando, Florida, featured a number of leading-edge technologies, including solar power. In fact, the home was our first net-zero energy home, which means it produces more energy than it consumes over the course of a year.

KB HOME MAKES SOLAR POWER A STANDARD FEATURE IN 10 SOUTHERN CALIFORNIA COMMUNITIES

In March 2011, KB Home announced a major new initiative to provide solar power systems as a standard feature in 10 Southern California new home communities. The new photovoltaic solar systems will help KB homeowners reduce their monthly energy bills for years to come, while also benefiting the environment. This is the first time KB Home will build entire communities featuring solar power in every home and, depending on consumer response, the company is considering expanding this initiative to other KB Home markets across the country.

KB Home has partnered with SunPower Corp., a leading national manufacturer of the world’s most advanced solar energy systems, to provide this technology. When combined with the many additional energy-conserving features in the homes, these communities will offer some of the most energy-efficient new homes available on the market today at an affordable price and could help qualify homeowners for a federal tax credit. Homeowners will also benefit from having a secure, reliable alternative to electricity sourced from nonrenewable fossil fuels, allowing them to take control of their energy usage and costs while helping the environment at the same time.

FACES OF SUSTAINABILITY

“By building homes with solar power included as a standard feature, we’re empowering our homeowners to take advantage of this technology to help lower their monthly utility bills and reduce their impact on the environment. That’s something everyone can feel good about.”

Sonia Pena, Director of Sales, Southern California, KB Home
KB HOME OVERVIEW

KB Home, one of the nation’s leading homebuilders, has built and delivered over half a million homes since its founding in 1957. The Company is distinguished by its Built to Order™ homebuilding approach, which gives homebuyers a tremendous level of customization at an affordable price. KB Home’s award-winning homes and communities meet the needs of first-time homebuyers with flexible designs that also appeal to move-up buyers and active adults. Headquartered in Los Angeles, KB Home operates 12 divisions in 9 states and 30 major markets nationwide.

KB Home was named the #1 Homebuilder in FORTUNE magazine’s 2011 list of the World’s Most Admired Companies and also ranked #1 in the subcategories of innovation, people management and social responsibility among homebuilders. The Company trades under the ticker symbol “KBH” and was the first homebuilder listed on the New York Stock Exchange (NYSE).

GOVERNANCE

Our business is conducted under the direction of our President and Chief Executive Officer with the oversight of our Board of Directors, which is chaired by a Non-Executive Chairman of the Board. Each member of our Board of Directors is elected by our stockholders to oversee the management of our business and to assure that the interests of our stockholders are met. To support this goal, we believe that a substantial majority of our Board members should be independent. With the exception of our President and Chief Executive Officer, all Board members who served during our 2010 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 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 Boulevard, Los Angeles, CA 90024.
STAKEHOLDER ENGAGEMENT

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

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

- homeowners
- potential homebuyers
- stockholders and potential investors
- employees
- organizations that represent local communities and neighborhoods
- elected officials, governmental regulators, planners and other public officials
- environmental groups and other nongovernmental organizations
- suppliers and trade partners

In addition to informal stakeholder engagement, we actively seek out input from stakeholders through our six local Community Advisory Boards (CABs) across our 12 divisions, as well as through our National Advisory Board. While we had anticipated forming new CABs in 2010, we found it difficult to do so in some of our smaller divisions given the ongoing challenging market conditions. We further determined that the six local CABs currently in place covered a wide enough geographic range to still provide significant benefits to our smaller divisions. While our current focus is on the important work of our existing CABs and National Advisory Board, we will continue to evaluate the prospect of establishing additional CABs in 2011 and beyond.

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 pursue our business goals. To this end, we regularly 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.

KB HOME NATIONAL ADVISORY BOARD

In 2009, KB Home established a National Advisory Board comprised of nationally recognized leaders in the areas of environment, economy, government, finance, housing, community planning and social responsibility. Members of the KB Home National Advisory Board come from a diverse group of organizations, including U.S. Environmental Protection Agency, American Association of Retired Persons, National Resources Defense Council, National Urban League, and National Association of Latino Elected and Appointed Officials. This esteemed group meets two times each year to discuss recommendations related to the following objectives: the need to balance home availability and affordability while minimizing intrusion into the natural environment; the reduction in water and energy usage; the preservation of nonrenewable resources; and the creation of livable neighborhoods.

KB Home listens intently to the views of these independent experts as we plan the neighborhoods that will make up America’s towns for generations to come. In addition to our local Community Advisory Boards established in our markets across the country, KB Home’s National Advisory Board assists the company in ensuring we are meeting our goals of creating livable neighborhoods, helping to protect the environment and making home ownership accessible to more American families.
We are committed to complying with all laws that apply to the making and public reporting of political campaign contributions. Contributions to federal campaigns are made only by the KB Home American Dream Political Action Committee. We contribute to state and local campaigns only as permitted by applicable law.

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

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

In 2010, the KB Home American Dream Political Action Committee contributed $18,500 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 2010, we contributed $12,300 to campaigns for state and local offices in California, Florida and Nevada. The California contributions can be found on the California Secretary of State’s website at www.cal-access.ss.ca.gov. Of the $12,300 total, we contributed $500 to a local campaign in Nevada and $500 to a local campaign in Florida. We contributed $255,000 to the “No on 4” ballot proposition campaign in Florida.

We are also members in 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 2010 fiscal year, there were two such trade associations – the Building Industry Association of Southern California and the Building Industry Association of the Bay Area. Based solely on their reports to us, these two trade associations automatically allocated an aggregate total of $296.

**SUSTAINABILITY OVERSIGHT STRUCTURE**

A number of governance organizational structures 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 our sustainability matters.

- **National Advisory Board.** Nationally recognized leaders from a diverse group of organizations meet twice yearly with KB Home to discuss recommendations related to sustainability and other issues. KB Home has also established six local Community Advisory Boards across its divisions.

- **Environmental Leadership Team.** A group of key executives convenes on a regular basis to discuss sustainability strategies, craft company policies and initiatives, and create buy-in with leaders across all of our operating regions and major functions of the Company.

- **Job Site Waste Reduction Leaders.** As part of our company-wide focus on waste reduction, we have identified a Job Site Waste Reduction Leader in every major division 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.

**SUSTAINABILITY 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. The capture and processing of this data requires significant dedication of employee resources, particularly in resource-challenged times for homebuilders, and demonstrates our commitment to accuracy and transparency in this important realm.

According to a December 2010 report from Calvert Investments, KB Home is currently “the only large U.S. homebuilder to produce a comprehensive sustainability report.” We remain committed to leading the homebuilding industry not only in our sustainability actions and initiatives, but also in the transparency of our sustainability reporting and carbon footprint disclosure.
KB HOME NAMED #1 GREEN HOMEBUILDER IN CONSECUTIVE REPORTS BY CALVERT INVESTMENTS

In December 2010, Calvert Investments, a leading asset management firm in the area of sustainable and responsible investing, released an update to their 2008 Green Homebuilder rankings based on environmental and sustainable practices. In the report, KB Home maintained its position as the #1 Green Homebuilder among the nation's largest builders by a wide margin. In fact, KB Home's score was almost double that of the next best performing builder and more than ten times the average score of the remaining eight builders in the study. The study analyzed the performance of the companies in five major areas: land use, building materials, energy, water and climate change. Of all the builders in the study, KB Home achieved the highest score in every one of these areas.

According to Calvert: “Homes account for about 21 percent of U.S. energy-related carbon dioxide (CO₂) emissions, a figure which places considerable responsibility on homebuilders to manage their contribution to climate change by addressing, among other things, the energy efficiency of their products.” This data also reinforces the tremendous opportunity builders have to make an impact on our environment. While KB Home is proud to lead the industry when it comes to environmentally conscious homebuilding, we recognize that there is more for us to accomplish as a company and an industry to better the environment, educate our customers and pave the way for innovation in the realm of sustainable building.

Calvert also noted that KB Home is currently the only major homebuilder in the U.S. to generate a comprehensive sustainability report. The report states: “Not only does KB's disclosure put them ahead of their peers, but the company continually seeks new and innovative ways to promote sustainability within their industry.”

Source: Calvert Investments, A Survey of Sustainable Practices by the Homebuilding Industry, Nov. 2010
2010 BUSINESS CLIMATE

Although housing market conditions remained difficult in 2010, KB Home made tremendous progress in transforming and repositioning the company in an effort to restore profitability. In fact, the successful execution of our strategy culminated in our first pre-tax profit in nearly four years reported in the fourth quarter of 2010. Key achievements in 2010 included:

• continuously improving our operating performance, including reducing costs and growing margins;
• refining our popular home designs from The Open Series™, lowering our cost to build and accelerating our sustainability initiatives to meet the demands of today’s homebuyers;
• achieving record-high customer satisfaction levels based on J.D. Power and Associates surveys and our own internal customer satisfaction scores; and
• investing in well-positioned submarkets to set us up for future growth while maintaining over $1 billion in total cash.

Overall new home sales volume remained at historically low levels, as persistently high unemployment and low consumer confidence deterred many potential homebuyers, and resale inventories remained high in most markets. KB Home delivered 7,346 homes during its 2010 fiscal year, a 13% decline from the year-earlier period.

KB Home will continue to execute our integrated strategy that allows us to successfully compete in today’s environment, as we remain committed to the goal of running a profitable business at whatever scale the market will sustain.

Detailed operational results for 2010 and prior years, as well as additional information about our financial performance and business operations, including discussion of the material risk factors to and key drivers of our performance, are available in the reports we file with the U.S. Securities and Exchange Commission, which can be found on our website at http://www.kbhome.com/investor.
# Environmental Performance

## Performance Indicator

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>FY2007</th>
<th>FY2008</th>
<th>FY2009</th>
<th>FY2010</th>
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<tr>
<td><strong>Energy Efficiency</strong></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Number of ENERGY STAR qualified homes delivered</td>
<td>7,467</td>
<td>4,736</td>
<td>5,258</td>
<td>6,631</td>
</tr>
<tr>
<td>Percentage of total homes delivered that were ENERGY STAR qualified</td>
<td>31%</td>
<td>38%</td>
<td>62%</td>
<td>90%</td>
</tr>
<tr>
<td>Percentage of KB Home divisions building at least some homes to ENERGY STAR specifications</td>
<td>83%</td>
<td>91%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Number of ENERGY STAR qualified appliances installed (relative to total annual deliveries)</td>
<td>Began tracking in 2008.</td>
<td>18,804 (against 12,438 deliveries)</td>
<td>12,718 (against 8,488 deliveries)</td>
<td>13,292 (against 7,346 deliveries)</td>
</tr>
<tr>
<td>KB homeowner satisfaction ratings on energy efficiency of their KB home (from a 30-day post-closing survey on a scale of 1–10)</td>
<td>9.2</td>
<td>9.2</td>
<td>9.7</td>
<td>No longer tracking. See below.</td>
</tr>
<tr>
<td>KB homeowner satisfaction ratings on energy efficiency of their KB home (from a 12-month post closing survey on a scale of 1–10)</td>
<td>Began tracking in 2010.</td>
<td>Began tracking in 2010.</td>
<td>Began tracking in 2010.</td>
<td>9.2</td>
</tr>
<tr>
<td><strong>Water Conservation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of KB Home communities building homes to EPAs new WaterSense specifications (construction commenced in late 2010)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>3</td>
</tr>
<tr>
<td>Number of Water Smart homes built (Las Vegas only; in conjunction with the Southern Nevada Water Authority)</td>
<td>1,964</td>
<td>881</td>
<td>393</td>
<td>521</td>
</tr>
<tr>
<td>Number of EPA WaterSense labeled fixtures installed in KB homes</td>
<td>N/A</td>
<td>154 lavatory faucets 486 toilets</td>
<td>1518 lavatory faucets 1,260 toilets</td>
<td>19,096 lavatory faucets 2,026 toilets 241 showerheads</td>
</tr>
<tr>
<td><strong>My Home. My Earth. Optional Products and Upgrades</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Waste Reduction and Recycling</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of KB homes built with preconstructed panels which 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.</td>
<td>65%</td>
<td>90%</td>
<td>90%</td>
<td>100%</td>
</tr>
<tr>
<td>Percentage of KB Home communities incorporating recycling into their standard job site processes</td>
<td>Began tracking in 2009.</td>
<td>Began tracking in 2009.</td>
<td>44%</td>
<td>71%</td>
</tr>
</tbody>
</table>
### OFFICE SUSTAINABILITY PRACTICES

**Percentage of office supplies purchased that are earth friendly**

<table>
<thead>
<tr>
<th></th>
<th>FY2007</th>
<th>FY2008</th>
<th>FY2009</th>
<th>FY2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>23%</td>
<td>27%</td>
<td>26%</td>
<td>33%</td>
</tr>
</tbody>
</table>

Recycled paper (office grade) processed through our national service provider, which recycles the paper after shredding. This service provider also calculated the environmental benefits in the related columns below. This figure does not include the recycling programs we have established in the majority of our local offices.

*Note: Increase 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.*

<table>
<thead>
<tr>
<th></th>
<th>FY2007</th>
<th>FY2008</th>
<th>FY2009</th>
<th>FY2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trees saved as a result of paper recycling program</td>
<td>479</td>
<td>1,266</td>
<td>615</td>
<td>3,978</td>
</tr>
<tr>
<td>Water saved as a result of paper recycling program</td>
<td>197,540 gallons</td>
<td>521,290 gallons</td>
<td>253,365 gallons</td>
<td>1,637,925 gallons</td>
</tr>
<tr>
<td>Air pollution avoided as a result of recycling program</td>
<td>16,932 lbs.</td>
<td>44,682 lbs.</td>
<td>21,717 lbs.</td>
<td>14,039 lbs.</td>
</tr>
<tr>
<td>Landfill reduction as a result of paper recycling program</td>
<td>84 cubic yards</td>
<td>223 cubic yards</td>
<td>109 cubic yards</td>
<td>702 cubic yards</td>
</tr>
<tr>
<td>Electricity saved as a result of paper recycling program</td>
<td>115,702 kWh</td>
<td>305,327 kWh</td>
<td>148,400 kWh</td>
<td>959,356 kWh</td>
</tr>
<tr>
<td>Oil saved as a result of paper recycling program</td>
<td>12,981 gallons</td>
<td>34,256 gallons</td>
<td>16,650 gallons</td>
<td>107,635 gallons</td>
</tr>
<tr>
<td>Number of hours of meetings hosted on iLab (virtual meeting system to minimize air and car travel for training, meetings and events)</td>
<td>Began tracking in 2008.</td>
<td>1,934</td>
<td>1,978</td>
<td>1,665</td>
</tr>
</tbody>
</table>

### GREENHOUSE GAS EMISSIONS ESTIMATE

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>FY2007</th>
<th>FY2008</th>
<th>FY2009</th>
<th>FY2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbon Disclosure Project questionnaire completed and submitted for the fiscal year impact</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Planning to submit answers per CDP guidelines.</td>
</tr>
<tr>
<td>Estimated greenhouse gas emission financial KB Home operations (CO$_2$e in metric tons)</td>
<td>Data not available for comprehensive emissions estimate.</td>
<td>42,204 metric tons</td>
<td>20,296 metric tons</td>
<td>17,015 metric tons</td>
</tr>
<tr>
<td>Estimated greenhouse gas emission financial intensity per delivered home, based on the methodology identified by the Carbon Disclosure Project</td>
<td>Data not available for comprehensive emissions estimate.</td>
<td>0.0000139 (42,204 metric tons/ US $3,033,936,000 total revenue)</td>
<td>0.0000112 (20,296 metric tons/ US $1,824,850,000 total revenue)</td>
<td>0.0000107 (17,015 metric tons/ US $1,589,996,000 total revenue)</td>
</tr>
<tr>
<td>Estimated greenhouse gas emission activity-related intensity (CO$_2$e in metric tons per delivered home)</td>
<td>Data not available for comprehensive emissions estimate.</td>
<td>3.4 (42,204 metric tons/ 12,498 homes)</td>
<td>2.4 (20,296 metric tons/ 8,488 homes)</td>
<td>2.3 (17,015 metric tons/ 7,346 homes)</td>
</tr>
</tbody>
</table>
Note: Below are key financial and customer satisfaction performance indicators. Detailed operational results for 2010 and prior years, as well as additional information about our financial performance and business operations, including discussion of the material risk factors to and the material drivers of our performance, are available in the periodic and other reports we file with the U.S. Securities and Exchange Commission, which can be found on our website at [www.kbhome.com/investor](http://www.kbhome.com/investor), or at [www.sec.gov](http://www.sec.gov).

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>FY2007</th>
<th>FY2008</th>
<th>FY2009</th>
<th>FY2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenue (in thousands)</td>
<td>$6,416,526</td>
<td>$3,033,936</td>
<td>$1,824,850</td>
<td>$1,589,996</td>
</tr>
<tr>
<td>Net income/loss (in thousands)</td>
<td>($929,414)</td>
<td>($976,131)</td>
<td>($101,784)</td>
<td>($69,368)</td>
</tr>
<tr>
<td>Number of homes delivered</td>
<td>23,743</td>
<td>12,438</td>
<td>8,488</td>
<td>7,346</td>
</tr>
<tr>
<td>Net orders</td>
<td>19,490</td>
<td>8,274</td>
<td>8,341</td>
<td>6,556</td>
</tr>
<tr>
<td>Backlog – units</td>
<td>6,322</td>
<td>2,269</td>
<td>2,126</td>
<td>1,336</td>
</tr>
<tr>
<td>Backlog – value (in thousands)</td>
<td>$1,498,835</td>
<td>$521,386</td>
<td>$422,496</td>
<td>$263,794</td>
</tr>
<tr>
<td>Average selling price</td>
<td>$261,600</td>
<td>$236,400</td>
<td>$207,100</td>
<td>$214,500</td>
</tr>
<tr>
<td>Housing gross margin</td>
<td>(5.7%)</td>
<td>(7.1%)</td>
<td>6.5%</td>
<td>17.4%</td>
</tr>
<tr>
<td>Cash and cash equivalents, including restricted cash (in thousands, at November 30)</td>
<td>$1,343,742</td>
<td>$1,256,922</td>
<td>$1,292,253</td>
<td>$1,023,907</td>
</tr>
<tr>
<td><strong>CUSTOMER SATISFACTION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer satisfaction index (from a 30-day post-closing survey on a scale of 1–10)</td>
<td>8.9</td>
<td>9.3</td>
<td>9.5</td>
<td>9.5</td>
</tr>
<tr>
<td>Average number of referrals by KB homeowners</td>
<td>5.0</td>
<td>5.4</td>
<td>5.6</td>
<td>No longer tracking this metric. See above.</td>
</tr>
</tbody>
</table>
## SOCIAL PERFORMANCE

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>FY2007</th>
<th>FY2008</th>
<th>FY2009</th>
<th>FY2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STAKEHOLDER AND COMMUNITY INVOLVEMENT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Community Advisory Boards active and operational in our divisions</td>
<td>1</td>
<td>4</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Active National Advisory Board</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Infrastructure development – approximate school-related fees paid</td>
<td>Began tracking in 2008.</td>
<td>$35 million</td>
<td>$25 million</td>
<td>$21 million</td>
</tr>
<tr>
<td><strong>EMPLOYEES, TRAINING AND LABOR PRACTICES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of full-time employees</td>
<td>3,556</td>
<td>1,892</td>
<td>1,446</td>
<td>1,346</td>
</tr>
<tr>
<td>Number of collective bargaining agreements with employees</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Employee injuries – West region</td>
<td>6</td>
<td>13</td>
<td>13</td>
<td>6</td>
</tr>
<tr>
<td>Employee injuries – Southwest region</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Employee injuries – Central region</td>
<td>5</td>
<td>16</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Employee injuries – Southeast region</td>
<td>7</td>
<td>13</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Average online training certifications per employee</td>
<td>46</td>
<td>36</td>
<td>17</td>
<td>14</td>
</tr>
<tr>
<td><strong>Note:</strong> 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 rigorous new-hire orientation.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average online training hours per employee</td>
<td>35</td>
<td>27</td>
<td>13</td>
<td>11</td>
</tr>
<tr>
<td><strong>Note:</strong> 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 onsite field training of employees that is not reflected in these numbers.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual core training certification rate – KBnx White Papers</td>
<td>92%</td>
<td>98%</td>
<td>96%</td>
<td>97% (new hires only)</td>
</tr>
<tr>
<td><strong>Note:</strong> In 2010, we transitioned to a biannual White Papers certification requirement. The majority of our employees completed this training in 2009, and will again be required to do so in 2011.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual core training certification rate – Ethics Policy</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Annual core training certification rate – 100% Complete/100% Satisfied</td>
<td>94%</td>
<td>99%</td>
<td>98%</td>
<td>97%</td>
</tr>
<tr>
<td>Annual core training certification rate – My Home. My Earth.</td>
<td>N/A</td>
<td>99%</td>
<td>99%</td>
<td>95% (new hires only)</td>
</tr>
<tr>
<td><strong>Note:</strong> In 2010, we transitioned to a biannual My Home. My Earth. certification requirement. The majority of our employees completed this training in 2009, and will again be required to do so in 2011.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of safety certifications</td>
<td>6,874</td>
<td>2,125</td>
<td>210</td>
<td>200</td>
</tr>
<tr>
<td><strong>Note:</strong> Required for new hires only; has significantly declined due to lower numbers of new employees in relevant positions.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The Global Reporting Initiative (GRI) is a multistakeholder organization founded in 1997 to increase transparency in sustainability reporting by providing a framework to measure and report economic, environmental and social performance to a diverse range of stakeholders. This report was prepared based on the Global Reporting Initiative’s 2006 G3 Sustainability Reporting Guidelines. These guidelines are considered to be the international standard for sustainability reporting, allowing organizations to present a balanced view of their operations.

Please reference the following tables to locate this data more easily in the report. GRI has not verified the contents of this report, nor does it take a position on the reliability of information reported herein. For more information on GRI Guidelines, visit [http://www.globalreporting.org](http://www.globalreporting.org).

The reference below to “Form 10-K” means our Annual Report on Form 10-K for the year ending November 30, 2010, which we have filed with the Securities and Exchange Commission. The reference below to “Proxy Statement” means the Proxy Statement for our 2011 Annual Meeting of Stockholders, which we have also filed with the Securities and Exchange Commission.

### GRI Performance Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ENVIRONMENTAL</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EN6</td>
<td>Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.</td>
<td>pages 15–17, 23, 26</td>
</tr>
<tr>
<td>EN16</td>
<td>Total direct and indirect greenhouse gas emissions by weight.</td>
<td>page 33</td>
</tr>
<tr>
<td>EN26</td>
<td>Initiatives to mitigate environmental impacts of products and services.</td>
<td>pages 22–23</td>
</tr>
<tr>
<td><strong>ECONOMIC</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EC1</td>
<td>Economic value generated and distributed.</td>
<td>page 34 and Form 10-K</td>
</tr>
<tr>
<td>EC2</td>
<td>Financial implications and other risks and opportunities due to climate change.</td>
<td>Form 10-K</td>
</tr>
<tr>
<td>EC8</td>
<td>Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement.</td>
<td>page 35</td>
</tr>
<tr>
<td><strong>SOCIAL PERFORMANCE: SOCIETY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SO1</td>
<td>Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities.</td>
<td>pages 14, 28–29</td>
</tr>
<tr>
<td>SO3</td>
<td>Percentage of employees trained in organization’s anticorruption policies and procedures.</td>
<td>page 35</td>
</tr>
<tr>
<td>S05</td>
<td>Public policy positions and participation in public policy development and lobbying.</td>
<td>pages 28–29</td>
</tr>
<tr>
<td><strong>SOCIAL PERFORMANCE: LABOR PRACTICES &amp; DECENT WORK</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LA1</td>
<td>Total workforce by employment type, employment contract and region.</td>
<td>page 35</td>
</tr>
<tr>
<td>LA4</td>
<td>Percentage of employees covered by collective bargaining agreements.</td>
<td>page 35</td>
</tr>
<tr>
<td>LA7</td>
<td>Rates of injury by region.</td>
<td>page 35</td>
</tr>
<tr>
<td>LA10</td>
<td>Average hours of training per year per employee by category.</td>
<td>page 35</td>
</tr>
<tr>
<td><strong>SOCIAL PERFORMANCE: PRODUCT RESPONSIBILITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PR3</td>
<td>Type of product and service information required by procedures.</td>
<td>page 18</td>
</tr>
<tr>
<td>PR5</td>
<td>Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.</td>
<td>page 34</td>
</tr>
</tbody>
</table>
# STRATEGY AND ANALYSIS

1.1. CEO statement about relevance of sustainability to the organization and its strategy. pages 4–5

## ORGANIZATIONAL PROFILE

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Name of the organization.</td>
<td>page 27</td>
</tr>
<tr>
<td>2.2</td>
<td>Primary products and services.</td>
<td>page 27</td>
</tr>
<tr>
<td>2.3</td>
<td>Operational structure of the organization.</td>
<td>page 27 and Form 10-K</td>
</tr>
<tr>
<td>2.4</td>
<td>Location of organization’s headquarters.</td>
<td>page 27, 38</td>
</tr>
<tr>
<td>2.5</td>
<td>Countries where the organization operates.</td>
<td>page 27</td>
</tr>
<tr>
<td>2.6</td>
<td>Nature of ownership and legal form.</td>
<td>Form 10-K</td>
</tr>
<tr>
<td>2.7</td>
<td>Markets served.</td>
<td>page 27 and Form 10-K</td>
</tr>
<tr>
<td>2.8</td>
<td>Scale of the reporting organization.</td>
<td>page 31 and Form 10-K</td>
</tr>
<tr>
<td>2.9</td>
<td>Significant changes during the reporting period.</td>
<td>page 31 and Form 10-K</td>
</tr>
<tr>
<td>2.10</td>
<td>Awards received in the reporting period.</td>
<td>pages 6, 30</td>
</tr>
</tbody>
</table>

## REPORT PARAMETERS

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>Reporting period.</td>
<td>page 3</td>
</tr>
<tr>
<td>3.2</td>
<td>Date of most recent previous report.</td>
<td>page 3</td>
</tr>
<tr>
<td>3.3</td>
<td>Reporting cycle.</td>
<td>page 3</td>
</tr>
<tr>
<td>3.4</td>
<td>Contact point for questions regarding the report.</td>
<td>page 38</td>
</tr>
<tr>
<td>3.5</td>
<td>Process for defining report content.</td>
<td>page 3</td>
</tr>
<tr>
<td>3.6</td>
<td>Boundary of the report.</td>
<td>page 3</td>
</tr>
<tr>
<td>3.7</td>
<td>Limitations on the scope of the report.</td>
<td>page 3</td>
</tr>
<tr>
<td>3.8</td>
<td>Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities.</td>
<td>page 3</td>
</tr>
<tr>
<td>3.9</td>
<td>Data measurement.</td>
<td>page 3 and 2009 Sustainability Report page 18</td>
</tr>
<tr>
<td>3.10</td>
<td>Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement.</td>
<td>N/A</td>
</tr>
<tr>
<td>3.11</td>
<td>Significant changes from previous reporting periods.</td>
<td>N/A</td>
</tr>
<tr>
<td>3.12</td>
<td>Table of GRI Standard Disclosures.</td>
<td>page 36</td>
</tr>
</tbody>
</table>

## GOVERNANCE, COMMITMENTS AND ENGAGEMENT

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1</td>
<td>Governance structure of the organization.</td>
<td>page 27 and Proxy Statement</td>
</tr>
<tr>
<td>4.2</td>
<td>Indication of whether Chair of the highest governance body is also an executive officer.</td>
<td>page 27</td>
</tr>
<tr>
<td>4.3</td>
<td>Board structure and independence of members.</td>
<td>page 27 and Proxy Statement</td>
</tr>
<tr>
<td>4.4</td>
<td>Mechanisms for providing recommendations to highest governing body.</td>
<td>page 27</td>
</tr>
<tr>
<td>4.14</td>
<td>Stakeholder groups engaged by the organization.</td>
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We welcome your comments and questions regarding this report and invite you to contact us at myhome.myearth@kbhome.com

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