This is our 11th annual sustainability report, which follows our most recent report published on Earth Day in April 2017. In this report, we discuss our accomplishments and challenges in 2017 and our top goals and priorities for 2018 and beyond. We are committed to achieving these objectives, subject to shifts in the business climate. In addition, with this report, we seek to foster continued discussion and engagement with all of our stakeholders on the complex issues surrounding sustainability. All information provided in this report is for our fiscal year ended November 30, 2017, unless otherwise noted. Inquiries regarding our sustainability initiatives can be directed to sustainability@kbhome.com.

Table of Contents

2 Letter from Chairman, President and Chief Executive Officer, Jeffrey Mezger
4 About KB Home: Innovating with Purpose
5 2017 Awards and Recognition
6 Sustainability as a Business Strategy
8 Sustainability Commitment Timeline
9 The Home We All Share: Environmental Sustainability
10 Energy Efficiency
13 Water Conservation
15 Healthy Home
16 Smart Systems
18 Greening Our Operations
19 Consumer Education and Outreach
20 2018/19 Priorities
21 Building Communities, Not Just Houses: Social and Economic Sustainability
23 KB Cares and Community Service
24 What Makes a Sustainable Business
25 Business Overview
26 Organizational Profile and Governance
28 Data and Reporting
28 Environmental Performance Overview
30 Social Performance Overview
31 Economic Performance Overview
32 Global Reporting Initiative Index of Indicators

For more information on our environmentally sustainable homes, visit: kbhome.com/sustainability  kbhome.com/eDIFFERENCE
Each year, this report provides an opportunity to reflect on what we have accomplished, how we got here, where we are headed, and—most importantly—why we do this. Since we built our first ENERGY STAR® new home in 2000, our sustainability journey has progressed from an isolated test case to an integral part of our business that is reflected in how we operate and in the homes we build. In short, sustainability is deeply embedded in our company culture.

How we got here is simple, although not easy: a genuine dedication to our homebuyers’ dreams, combined with the rigorous operational discipline and innovation to deliver them. In 2007, at a time when other builders were cautious, we saw an opportunity to take a strong step forward. We felt we could take “green homes” beyond being a luxury product for a privileged few, and instead offer high-performance and environmentally thoughtful homes to the wider homebuying market, from our core first-time buyers through empty nesters moving down. We could get rid of waste in our operations and not only support the environment, but also reduce our cost to build and make homeownership more attainable. Consumers could have both a sustainable home built for the future and a competitively priced home built to live beautifully today. In 2017, I am proud to say that we delivered that dream to nearly 11,000 homebuyers across the country.

Sustainability has become the foundation for how we operate; however, our approach is continuously evolving. Today, we take a broad view that embraces environmental sustainability as well as an increasing focus on social and economic sustainability. We believe we are in the business of building communities, not just houses. For us, being a sustainable company means more than building an energy-efficient product—it means creating a business that works to make a positive contribution to the various social, economic and geographic communities it serves.

In this report, we present our consistent, long-term sustainability goals and our 2017 progress toward them, identifying our accomplishments as well as specific areas where we believe we have room to improve. We are proud of our results this year:

- We attained an average national HERS® energy performance score of 57, an improvement of 33% since we began tracking in 2007. For the fourth year in a row, we were recognized for our exceptional HERS scores by receiving the RESNET® President’s Award for the American Production Builder with the highest percentage of homes rated with a HERS score under 54.
- We achieved a national record for building the most WaterSense® and Water Smart homes on a cumulative basis, and reached the milestone of installing nearly 500,000 WaterSense labeled fixtures. For this, we remain the only national builder to be recognized with U.S. Environmental Protection Agency (EPA) WaterSense Sustained Excellence Award for three consecutive years.
- We expanded our participation in EPA’s Indoor airPLUS program by opening San Diego’s first Indoor airPLUS community. We were the first and remain the only national builder to receive EPA’s Indoor airPLUS Leader award in recognition for building homes to this rigorous standard for healthier indoor environments.
- We continued our collaboration with RESNET on the important effort to create a national water-efficiency rating system, HERSH2O, to provide a consistent standard for measuring and comparing a home’s water consumption performance.
- We engaged with consumers and the broader public in a series of educational events on energy efficiency across the country to mark the milestone delivery of our 100,000th ENERGY STAR certified new home.
- We continued to make the incremental enhancements to our home designs and operational processes that have added up to meaningful change over the last decade.
In 2018, we expect to reach our long-standing goal of an average national HERS score of 55, demonstrating our dedication to continuously increasing the energy performance of our homes. We are also taking important steps to reach zero landfill waste in our operations by 2025, based on the target we announced in 2017—the first large-production homebuilder to announce such a goal. In addition, we will be propelling our health-focused and technology innovations forward with our next-generation KB ProjeKt® concept home of the future, which will be featured at the International Builders’ Show™ in February 2019. We will also continue to partner with leading brands on new product introductions, including smart-home technologies.

As we look to the future, we do so with leadership and a consistency of purpose made possible with our greatest asset: our talented KB Home team members, who are dedicated to making sustainability an essential part of our nature. Utilizing our energy and operational strengths, we are translating our principles into action and constantly working to have a meaningful, positive impact on our homebuyers, our employees, our stockholders and the communities we serve.

Thank you for being part of our journey.

Jeffrey D. Mezger
ABOUT KB HOME: INNOVATING WITH PURPOSE

For more than 60 years, innovation has been at the heart of our business. From imagining that a local homebuilder could become a Fortune 1000 American business, to imagining that first-time homebuyers could afford the luxury of personalization and a highly efficient, environmentally thoughtful home—every major leap forward in our history has been about marrying an innovative idea with strong operational purpose and execution. We believe we have been a disruptive force for change in our industry, challenging how things have always been done, then driving operational efficiency improvements to these innovations to make them attainable. Because without effective execution, an innovation is just another idea.

Our Vision for Sustainability

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

Guiding Principles for Sustainability

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

Stakeholder Guidance and Sustainability Priorities

As sustainability has evolved over the last decade, companies are increasingly evaluating their sustainability priorities with their key stakeholders. As part of our first comprehensive Sustainability Report in 2008, we evaluated the impact of our business operations and solicited input from select stakeholders. We used these findings to determine where we should focus our sustainability initiatives. As the developer of a durable consumer product that requires significant energy use in its daily operation over an extended lifespan, we found that our potential impact on our homes’ long-term energy usage was of greatest importance to our stakeholders. As a result, we have made increasing the energy efficiency of our homes our primary sustainability focus. In addition, as a builder operating in some of the most water-challenged regions of the U.S., water conservation has become a second area of focus. Our sustainability reporting, including this current report, consistently reflects these determinations. These priorities guide our strategic decision-making, stakeholder engagement and reporting framework.
FACES OF SUSTAINABILITY

Sustainability is a quest I am proud to be part of at KB Home. It is so satisfying to see how incremental changes and the sustainability practices ingrained in our daily actions pay dividends to our mission, while providing the opportunity to maximize value for our customers.

Satti Brown
Inland Empire Division, KB Home

2017 Awards and Recognition

In 2017, EPA recognized us with their highest major national awards, including:

- ENERGY STAR® Partner of the Year – Sustained Excellence, EPA’s highest possible distinction for energy efficiency. KB Home was honored for the seventh year in a row.

- WaterSense® Sustained Excellence Award, EPA’s highest possible distinction for water efficiency. The only homebuilder to be recognized in 2017, KB Home has won three consecutive WaterSense Sustained Excellence awards, following four consecutive years as Builder Partner of the Year.

- Eighteen 2017 ENERGY STAR Certified Homes Market Leader awards, encompassing all 36 of our major markets nationwide in 2016.

We were also recognized with additional prestigious awards in 2017, including:

- 2017 RESNET® President’s Award for American Production Builders, for building the most homes with a HERS® Index score of 53 or lower in the U.S. in 2016, the fourth consecutive year being so recognized and the only homebuilder in the country to win the prestigious honor since its inception.

- 2017 TecHome Brilliance Award, created to salute excellence and innovation in home technology, in recognition for the technology and innovation displayed in our Greenbuild KB ProjeKt® concept home.

- 2017 Top Project of the Year honors as part of Environmental Leader’s Product & Project Awards program, also in recognition for the innovations incorporated into and our leadership of the Greenbuild KB ProjeKt concept home.

Past Reports

We encourage you to review our previous 10 Sustainability Reports at kbhome.com/sustainability to find out more about the long-term efforts behind our 2017 sustainability achievements.
SUSTAINABILITY AS A BUSINESS STRATEGY

Sustainability is a critical component of KB Home’s strategies, not just because it’s the right thing to do, but also because it is good for our business. That is what true sustainability means to us: a company that doesn’t just do good, but also does well in the process and creates a healthy, growing business that can have long-lasting positive impact and continue to foster innovation into the future.

Energy-Efficient Homes Are More Affordable to Own
An ENERGY STAR certified KB home is up to 73% more efficient than typical resale homes, which can equal more than $14,000 in savings in the first 10 years, an important factor in affordability for our core first-time and first move-up homebuyers.

Our Scale and Leadership Allow Us to Have an Impact
In 2017, we delivered 10,909 homes, which means the positive impact of every increase in energy efficiency we make really adds up. The total cumulative carbon reduction of the more than 115,000 ENERGY STAR certified homes we’ve built since 2000 is nearly 4 billion pounds, the equivalent of removing 382,000 cars from the road or planting 46 million trees.

Technology and Innovation Go Hand in Hand with Sustainability
Today’s sustainability innovation are driven more and more by technology. The advanced building science, high-performance construction materials and integrated technologies that foster sustainable innovation also offer direct consumer benefits, enabling our homebuyers to live better, healthier and more efficient lives.

Reducing Waste Reduces Cost
Preserving natural resources and reducing waste through creative production techniques and efficiencies also reduces our cost to build, supporting our priority on maximizing affordability for our homebuyers to the extent possible.

Sustainability Is a Compelling Competitive Advantage
Sustainability helps save our homeowners money and can also offer an enhanced quality of life, which provides us with a significant advantage compared to both typical resale and new-home competitors. Our plan-specific Energy Performance Guide® (EPG®), which we publish for all our home designs, is a strong tool for demonstrating this potential advantage to homebuyers. In fact, 89% of our 2016 homebuyers reported satisfaction with the energy-efficient and water-saving features of their homes nearly a year after purchase, which we believe shows the importance of sustainability to prospective buyers of our homes.
Water Conservation Is a Growing Imperative
As drought conditions have increased in parts of the U.S. in recent years, building homes that conserve this precious resource and reduce homeowner utility costs is becoming more important, which is why we were the first national builder to adopt EPA’s WaterSense® efficiency standard.

Supply Chain Sustainability Practices Add Depth to Our Initiatives
What happens upstream of our construction sites impacts the sustainability levels of our homes as well. One of our most important criteria for selecting our national suppliers is a shared commitment to conserving natural resources, allowing us to leverage their innovations and sustainability efforts to increase our own.

We Can Build Sustainable Homes at a Lower Cost
Because of our scale and operational discipline, we can generally incorporate sustainable features into the new homes we build at a lower cost, which helps bring energy efficiency within reach for more families across our markets.

eDifference® and Sustainability Long-Term Strategic Goals
Our eDifference sustainability platform takes a holistic approach, spanning four major areas: energy efficiency, water conservation, healthier indoor environments and smart-home capability. Additionally, we have made waste reduction and greening our operations an internal priority. We measure our sustainability progress against a set of long-term strategic goals for each major area of our eDifference platform. These goals have remained consistent over many years and provide a clear road map for us to work toward day in and day out and evaluate our successes, shortcomings and opportunities.

**ENERGY EFFICIENCY**
We will leverage our economies of scale and position as an industry leader to continuously increase the energy efficiency of our homes and help reduce the total cost of ownership, while always maintaining a focus on affordability for our core first-time and first move-up homebuyers.

**WATER CONSERVATION**
We will continue our leadership in building water-efficient new homes using both existing technologies and new innovations, and raise awareness of the energy-water nexus both with homebuyers and within our industry.

**HEALTHY HOME**
We will expand our focus on raising homebuyers’ awareness about existing healthier products and techniques and increasing our offerings of optional and standard products that contribute to the wellness of our homeowners and the greater community in order to help give them an increased quality of life, in addition to saving them money and energy.

**SMART SYSTEMS**
We will take a leadership role in our industry in demonstrating and implementing intelligent efficiency capabilities and home technologies in order to increase resource efficiency and provide an integrated, seamless experience that enhances our homeowners’ quality of life.

**WASTE REDUCTION**
We will monitor, measure and continuously seek to reduce the waste resulting from our construction operations as well as raise awareness of waste reduction within our supply chain, with a long-term goal of reaching zero landfill waste.
SUSTAINABILITY COMMITMENT TIMELINE

2017
- Achieved national record for building highest cumulative number of WaterSense® and Water Smart homes
- Opened first Indoor airPLUS community in San Diego
- Announced goal of reaching zero landfill waste from construction operations by 2025
- Received 2017 TecHome Brilliance Award for KB ProjeKt®
- Received 2017 Environmental Leader Top Project of the Year for KB ProjeKt
- Published 10th annual Sustainability Report

2016
- Built 5,000th solar-powered home
- Built 100,000th ENERGY STAR certified home
- Debuted the Greenbuild KB Home ProjeKt concept home
- Collaborated with Apple® to introduce HomeKit™ option package

2015
- Received Environmental Leader Product of the Year award
- Received DOE Zero Energy Ready Home, Housing Innovation Grand Award
- Received Indoor airPLUS Leader Award
- Received our first WaterSense® Sustained Excellence Award (also won in 2016)
- Built 10,000th WaterSmart labeled home

2013
- Collaborated with Ford® to promote Ford’s MyEnergi Lifestyle® initiative
- Sponsored DOE Solar Decathlon
- Received our first DOE Zero Energy Ready Home, Housing Innovation Award (also won in 2014)

2011
- Offered solar photovoltaic systems standard at select communities in California
- Introduced the EPG® (Energy Performance Guide®) for every KB home
- Launched KB Home ZeroHouse 2.0 in six states
- Debuted first community of 100% LEED Platinum homes
- Received first Department of Energy (DOE) Builders Challenge Award (also won in 2012)
- Received USGBC’s LEED for Homes Award
- Received first ENERGY STAR Sustained Excellence Award (also won in 2012, 2013, 2014, 2015, 2016 and 2017)
- Received first WaterSense Partner of the Year Award (also won in 2012, 2013 and 2014)

2009
- Earned the ENERGY STAR Award for Excellence for the first time (also won in 2010)
- Launched National Advisory Board
- Conducted GROW company-wide waste analysis
- First national supplier conference focused on sustainability

2008
- Published first annual Sustainability Report
- Committed to build 100% of our homes to ENERGY STAR certification standards beginning in 2009
- Calvert ranks KB Home #1 Green Builder

2007
- Launched Environmental Task Force
- Committed to utilizing 100% ENERGY STAR certified appliances
- Built 50,000th ENERGY STAR certified home

PRE-2007
- Built ENERGY STAR® certified homes in many communities
- Built Water Smart certified homes in Las Vegas
- Offered solar photovoltaic power system options in California
THE HOME WE ALL SHARE: ENVIRONMENTAL SUSTAINABILITY

We are in the business of designing and building communities, so supporting the home we all share—our environment—is a natural extension of what we do every day, and over the last decade of daily focus, it has become an essential part of our company purpose and culture. It’s in our nature.

While many consumers believe environmental efficiency is a given when buying a new home, the truth is just 10% of the new homes built in the U.S. in 2016 and 2017 meet ENERGY STAR® certification standards, and even fewer deliver water conservation and other environmentally mindful features. KB Home built its first ENERGY STAR new home in 2000 and has built more than 115,000 ENERGY STAR new homes since then. In 2007, we formally adopted our sustainability vision and principles, and in 2008, we issued our first annual Sustainability Report. We were the first national builder to take on water conservation as an important topic and partner with EPA’s WaterSense® program. Additionally, health and wellness, smart systems and waste reduction have become important areas of focus for consumers and in our business. We are energized for what the future holds for our company and our homebuyers as we enter the second decade of our sustainability focus.

Making a Meaningful Impact

**ENERGY EFFICIENCY**

The 115,000+ ENERGY STAR® certified homes KB Home has built have saved $658 million in utility bills and reduced CO₂ emissions by 4 billion pounds, which is the equivalent of removing 382,000 cars from the road or planting 46 million trees.

KB Home has built 6,000+ solar photovoltaic–powered homes, with a cumulative 14 megawatts installed, producing 23 million kilowatt hours annually, removing 35 million pounds of CO₂ and saving $4.7 million each year.

**WATER CONSERVATION**

Built 13,000+ WaterSense and Water Smart homes and installed nearly 500,000 WaterSense labeled fixtures, conserving 1.4 billion gallons of water each year.

**HEALTHY HOME**

Installed 76,000+ enhanced air filters (mostly MERV–8 rated) that can improve indoor air quality and create healthier living conditions. Also, we were early adopters of low- or no-VOC paint, carpeting and insulation.

**SMART SYSTEMS**

Installed 24,000+ smart thermostats (Côr® and Wiser®) that help homeowners manage their heating and cooling energy usage through remote access and software platforms that provide performance monitoring, data analytics and visualization. In addition, we pioneered smart system technologies like energy and water usage dashboards and Demand/Response systems; smart appliances; energy storage systems; LED lighting; and smart locks and security systems.
ENERGY EFFICIENCY

Competitive Advantage
From the outset, energy efficiency has been the cornerstone of our sustainability focus for one simple reason: it is what our homebuyers care about most. Energy efficiency transforms sustainability into a tangible benefit for their monthly budgets. It is a key competitive advantage for us against other typical new homes as well as our biggest competition: resale homes.

We feature our proprietary EPG® (Energy Performance Guide®) for every home design we offer company wide, clearly showing how our homes’ energy efficiency measures up against both typical new and resale homes, as well as estimated utility costs that are updated annually to reflect utility rate changes. In addition, after construction is complete, the energy performance of every one of our homes is independently verified by a third-party energy rater. This exceeds the testing required by the ENERGY STAR program’s guidelines.

Dedication Delivers Meaningful Results
As a major national builder delivering thousands of homes a year, we have the ability to make a meaningful difference when we take on a company-wide commitment to increased energy efficiency. In 2008, we made an industry-first commitment to build 100% of our homes to the ENERGY STAR standard, and we remain only one of three national builders to do so. As EPA has evolved ENERGY STAR by adding more rigor and continually raising the bar with each new release, we have continued to meet the challenge of providing our homebuyers with this increasing level of energy efficiency. In addition, we verify the as-built energy performance of our homes by testing every ENERGY STAR home we build at the end of construction, beyond the minimum sampling that EPA requires. We are the clear industry leader, building more ENERGY STAR certified new homes in recent years, including 2017, than any other homebuilder. Our consistent commitment over more than a decade has delivered a meaningful impact.

Cumulative ENERGY STAR Certified Homes Built by KB Home

115,000+ ENERGY STAR® certified homes built have saved $658 million in utility bills and reduced CO₂ emissions by 4 billion pounds.

This is equal to removing 382,000 cars from the road or planting 46 million trees.
Spotlight: Progress 2017

In 2017, we continued to make progress on our energy-efficiency goals, including:

- Achieving an average national HERS energy performance score of 57, down from 58 in 2016. For comparison, even among the highly energy-efficient new homes that choose to be HERS rated (just 22% of new homes), the average HERS score in 2017 was 62.

By the end of 2018, we expect to achieve an average national HERS energy performance score of 55, down from 85 in 2007, a goal we set for ourselves in 2014.

- Expanding the use of Huber Engineered Woods’ Zip System® sheeting and tape. We are an early adopter of this advanced building product that offers greater protection from water intrusion and greater airtightness than traditional products, which in turn increases efficiency by keeping the unconditioned air outside and retaining more comfortable temperatures inside. We are now using the Zip System at KB Home communities in Florida and Colorado.

- Transitioning to 100% LED lights that are ENERGY STAR certified in the indoor living areas of the homes we build. LED lights that have earned the ENERGY STAR label deliver high performance while using less energy and lasting years longer.

Faces of Sustainability

“We recently purchased a beautiful KB home. Since our new KB home is actually 30 percent larger than our last home, we were concerned that we would need a much higher budget for energy costs. We were thrilled when our first energy bill came and it was almost one half of our previous bills. We are so impressed with the energy efficient details of our home—ENERGY STAR certified, radiant barrier in the attic, super-efficient insulation, double-pane windows and energy efficient appliances. We are definitely KB customers for life.”

Bob and Linda Martin
KB Homeowners, Winter Garden FL
Spotlight: Setting a Higher Bar for High-Performance Homes in Las Vegas

ENERGY STAR is a rigorous, evolving standard with increasing requirements with each major version release. Over the years, we have continuously improved our processes and products to meet this challenge. Getting to this increased level of energy performance without sacrificing affordability for our homebuyers is a creative, iterative process, but it yields tangible results. In 2017, after upgrading to the new ENERGY STAR Version 3.1 across our Las Vegas–area communities, we significantly lowered the average as-built HERS score of our Las Vegas homes to 54. One of our popular Las Vegas home designs demonstrates the immediate impact of this transition. Its HERS score decreased from 64 in 2016 to 54 in 2017, resulting in an annual estimated utility savings of over $220 per year, $1,848 less than the utilities of a typical resale home of comparable size.

Solar Power

KB Home first offered solar photovoltaic options in 2005. To date, we have built 6,085 solar homes—1,041 of them in 2017—for a cumulative 14 megawatts installed. These homes produced 23 million kilowatt hours of electrical power over an annual period, removing 35 million pounds of CO₂ and saving homeowners $4.7 million each year.

To date, the majority of our solar power systems have been installed in California, and, to a lesser extent, Arizona, where a combination of early adopter demographics and weather conditions have made them attractive to homebuyers. California has seen a strong push from lawmakers to require solar to be included on every new home, and within the next few years, will likely be the first state in the nation to do so.

To be prepared for that, in recent years, we have taken several steps to develop the operational expertise to roll out this important technology on a wider scale as a competitive advantage. For example, we added a leasing option to the traditional mortgage financing of solar PV systems. This helps homebuyers focus their borrowing capacity on the home purchase, while also providing them with a source of renewable energy that can reduce their overall spend on electricity and their carbon footprint. We are also exploring alternatives to the way we purchase these systems. Historically, we have relied on “turnkey” solutions from leading suppliers. In 2017, we undertook a significant exercise to explore opportunities to disaggregate our solar supply chain in order to reduce costs. We conducted a pilot program in our San Diego market and were able to reduce our cost per watt by more than 30%. We are looking into opportunities to implement this approach on a wider scale.

Faces of Sustainability

“We were looking for the house we will spend the rest of our lives in, so it had to be just right. KB Home let us customize to get everything we wanted. Single-story, double-oven, upgraded tile flooring and—most importantly—the huge great room, where we can sit all 35 of our extended family members down at one table for holiday dinners. And the solar power system makes it all so affordable. We used to pay $350 in utilities in summer months in our old house, and now, we very rarely have an electric bill at all.”

Laura and John Miller
KB Homeowners – Murrieta, California
WATER CONSERVATION

Water is no longer something we can take for granted. The conversation about water is increasingly important in our industry and across the regions in which we build as drought conditions have elevated this issue. In addition, water scarcity and balancing growth with serving the needs of its current citizens are important considerations for local governments in approving new-home construction, making water conservation an important practical business consideration. KB Home has been an industry leader in taking on this challenge, balancing the need to build thoughtful water conservation into our homes today with exploration of select emerging technologies that may become critical components of the home of tomorrow.

Building Water-Efficient Homes
We were the first national builder to make water conservation a priority by joining EPA’s WaterSense program. Our early industry leadership in water conservation includes a history of additional firsts, including being the first national homebuilder to:

- Earn EPA’s WaterSense new-home label for whole-house water efficiency at select communities;
- Feature WaterSense labeled fixtures standard in the homes we build nationwide, at no additional cost to our homebuyers; and
- Build Water Smart certified homes in the Las Vegas area in partnership with the Southern Nevada Water Authority.

Our focus and operational consistency in this area have allowed us to make a real-world impact:

- In 2017, we built more than 1,000 WaterSense labeled and Water Smart certified new homes.
- We installed nearly 110,000 WaterSense labeled fixtures in 2017, delivering a 20 to 30% increase in water efficiency compared to typical fixtures.
- Cumulatively, we have built more than 13,000 WaterSense and Water Smart homes and installed nearly 500,000 WaterSense labeled fixtures.
- We have built more homes certified under the WaterSense or Water Smart labels than any other homebuilder.
- In total, our WaterSense and Water Smart homes and WaterSense labeled fixtures can conserve nearly 1.4 billion gallons of water each year.

FACES OF SUSTAINABILITY

“Kohler® and KB Home share a forward-looking belief that environmental sustainability and good business go hand in hand. For more than a decade, our two companies have partnered to increase water conservation in the new-home market, with new plumbing fixtures that are more efficient and work better, as well as early leadership in EPA’s WaterSense program. We are proud that American consumers are reaping the benefits.”

Rob Zimmerman
Director, Sustainability – Kohler
Water Conservation Innovations
As a leading voice for sustainability in our industry, we seek to identify promising new technologies and support the development of innovative new products for the production home market. We were the first national homebuilder to introduce greywater technologies for reusing water into production homes and have been an early proponent of companies developing new water management technologies. We have showcased or piloted new products under development in this arena in order to provide customer feedback and builder perspective to their manufacturers. These include:

- **Water Management Systems:** We were early supporters of Phyn, Inc., makers of a residential water management system, by featuring alpha versions of their product in our ZeroHouses in 2014. We have continued to collaborate with them, and in 2016, featured their beta version at the Greenbuild KB ProjeKt® concept home. This past January, Phyn Plus system officially launched at the 2018 Consumer Electronics Show® (CES). Phyn Plus provides water usage data to homeowners, raising awareness in order to potentially reduce water consumption. It also includes an automatic shutoff and remote alert via smart phone when it detects unusual activity like when a child forgets to shut off a bathroom faucet. We are working with Phyn to develop the case for including it in our offerings.

- **Greywater Recycling:** We piloted our first greywater recycling systems in 2014 as part of our ZeroHouses, followed by a limited deployment in a KB Home community, which unfortunately did not yield optimal results. The initial systems we piloted had a larger capacity than needed, so their cost-to-value ratio did not support wider implementation. Since then, we have continued to explore various systems, and in 2017, tested a system that recycles greywater from showers and refines it for use in household toilets at a model home in a Los Angeles–area KB Home community. This system costs approximately 50% less than the initial systems we tested and can fit in a closet. However, as this new system is not yet certified by the National Sanitation Foundation® (NSF), we are not offering it to the public, but hope to do so soon.

- **HERS H2O:** In collaboration with RESNET®, we are co-leading the development of a national water-efficiency rating system for homes. Known as HERS_H2O, this rating system is intended to provide a consistent standard for measuring and comparing water performance, similar to the HERS national rating system for energy efficiency. Leaders from KB Home, EPA and the Natural Resources Defense Council (NRDC) co-chair this RESNET initiative. Based on significant progress in defining and developing the various components of the rating in 2017, we anticipate piloting the standard in at least one KB Home community this year.
HEALTHY HOME

Supporting the Indoor Ecosystem
People typically spend at least a third of their lives in their home each day, which is why we endeavor to make the indoor ecosystem in our homes supportive of a healthier, more desirable living environment for our homeowners and their families. This is an emerging area of focus in sustainability and one that is of increasing importance for both our homebuyers and us.

We embrace a larger view of sustainability that includes the health of our homeowners and their families along with the health of our environment. In addition to energy efficiency, our ENERGY STAR® certified KB homes provide improved air quality, better ventilation and filtration, reduced outside noise due to the well-insulated building envelope and important air-sealing and moisture control provision requirements compared to typical new and resale homes.

Indoor airPLUS
We were a pioneer in the homebuilding industry in joining EPA’s Indoor airPLUS program. Indoor airPLUS builds on the foundation of ENERGY STAR requirements with additional construction specifications designed to provide comprehensive indoor air quality protections in new homes, including moisture and mold control, radon-resistant construction, pest barriers and healthier building materials. These indoor air quality features are verified by an independent third-party inspector to ensure that they have met all of EPA’s rigorous guidelines.

In 2015, KB Home received EPA’s Indoor airPLUS Leader Award, the only national homebuilder to be so recognized to date.

After building Indoor airPLUS qualified homes in several divisions, we committed to the goal of having one Indoor airPLUS qualified home under construction in every KB Home division by the end of 2017. Unfortunately, we fell short of that goal and have shifted our timeline forward to 2018. We did make progress on advancing our work by opening the first Indoor airPLUS community in the San Diego market in 2017.

FACES OF SUSTAINABILITY

“As a member of the National Advisory Board, I have witnessed the growth and evolution of KB Home’s sustainability journey. I am particularly excited about their KB ProjeKt® concept homes that bundle sustainable design with usability and health and wellness. Because of KB Home’s scale, these concepts can have a positive ripple effect across the entire industry.”

Magali Delmas, UCLA Professor
Author of “The Green Bundle: Pairing The Market with the Planet”
KB Home National Advisory Board Member
Healthy Home Products
Every KB home features products that support a healthier indoor air environment, including:

- 100% low-VOC interior paint
- 100% low-VOC carpeting
- high-performance ventilation systems with MERV 8-rated filtration for the whole home to reduce allergens and irritants while providing fresh air
- a tightly sealed building envelope, with a focus on sealing entry points around the roof, walls and windows to minimize water and pest intrusion
- high-grade insulation that supports a quieter, more restful indoor environment

In 2017, we enhanced our Healthy Homes platform with advanced products designed to help KB homeowners maintain a cleaner home, including Kwikset® interior door hardware with Microban® antimicrobial product protection. The silver-based technology featured on these Kwikset products is specially formulated for door hardware and designed to provide antimicrobial protection for the lifetime of the products, including those used in high-traffic areas like bedrooms and baths.

SMART SYSTEMS
Sustainability is increasingly about what we can provide homebuyers in terms of increased quality of life in addition to what they can save in money and energy. Homebuyers today want to be able to operate their homes from wherever they are and not just have them respond to their needs, but actually anticipate them, while also saving energy, water and money. We believe the future of sustainability will be largely driven by innovations in technology that create a seamless flow between greater convenience and greater efficiency.

The Connected Home
Technology features that integrate personal and resource efficiency are at the core of today’s “connected home.” In a fast-paced world of shifting technology and the proliferation of Internet of Things (IoT) devices, we see our role as being practical curators, selecting “best-in-breed” products that offer long-term personal value and then featuring them at our KB Home Design Studios.

We collaborate with our homebuyers to determine their individual technology needs as part of our Built to Order™ approach. For some, that may mean a top-of-the-line, full-spectrum technology suite. For others, it may be about simplicity and flexibility for the long term. Our buyers tend to focus on technology capability that is built into the home and would be expensive and inconvenient to do after construction is complete, rather than IoT devices that are easier to add on later and may shift more quickly with changes in technology trends.
Smart-Home Ecosystems
We have been early adopters of select smart-home ecosystems that allow homeowners to connect and control their environment whether at home or away. We were the first national homebuilder to make Apple® HomeKit™ smart-home solutions available to homebuyers, featuring it at one of our KB Home communities in Northern California, and one of just three U.S. builders to be chosen by Apple to showcase this new product as they innovated and grew this new segment. The simple and secure Apple interface allows homeowners to manage HomeKit-integrated home automation products in one place and set custom preferences like “Leaving Home,” which can turn off lights, lock doors and lower the thermostat. We have also featured other leading ecosystems and are continuing to explore options in this area, gathering insights from homebuyers to shape future product offerings and implementation strategies. We view ourselves as “connected home curators,” as CNET called us in a 2017 article, “An Apple Smart Home, Made to Order.”

Smart Appliances
As technology continues to evolve, we are continuously piloting new products, including smart appliances, before offering them to our buyers. We were early adopters of the first generation of Whirlpool® smart appliances, showcasing them in our model homes and introducing them to customers. The latest generation of smart appliances brings together energy efficiency with customer convenience and tools that promote health and wellness. In late 2017, we began introducing new smart appliances from Whirlpool, which we are currently rolling out company wide. These appliances offer exceptional efficiency and support a more relaxing quality of life, with Scan-to-Cook technology and the ability to control select smart appliances with simple voice commands through a Google Home or Amazon Alexa smart voice assistant.

Solar Battery Storage
Many of our technology features work in the background to passively enhance energy efficiency and water performance. Since 2010, we have been conducting limited pilots of energy storage systems, including showcasing a Tesla Powerwall energy storage system in our 2016 KB ProjeKt® concept home of the future. Designed to store electricity generated in excess of the home’s needs for later use, the Powerwall is a state-of-the-art product from one of the nation’s leading energy innovators. In 2017, we continued to evolve our strategy for energy storage systems, with the goal of offering the Tesla Powerwall II as an option at select Southern California locations this year to give homebuyers an opportunity to store energy for use when there is a disruption to the grid or when rates are high.
GREENING OUR OPERATIONS

In addition to the consumer-facing sustainability efforts of our eDifference® platform, we work continuously to reduce waste and leverage our supply chain, including using sustainable sourcing to lower our costs and improve our operational efficiency.

Waste Reduction

In 2017, after more than a decade of monitoring, tracking and improving on our waste reduction efforts, we made a public commitment to a specific, long-term waste reduction goal of reaching zero landfill waste company wide by 2025. We believe we are the first in our industry to publicly declare such an objective, with the goal of elevating the conversation about waste reduction for consideration in our industry.

To achieve this goal, we are beginning with a waste reduction analysis across our divisions, which we began conducting in several divisions in 2017 and are continuing in 2018. This information will be used to create a baseline and develop a detailed action plan.

In 2017, following their 2016 waste diversion analysis and implementation of process improvement plans, our Inland Empire Division was able to divert 80% of their construction site waste to recycling rather than going to landfill for the second year running. This is well above the 65% diversion rate required by the California Green Building Standards Code. The division’s goal is to be an early internal leader for the Company by reaching zero waste over the next several years. Toward this end, they are taking a two-pronged approach: first, maintain their high diversion rate achieved as a result of their initial improvements, and second, reduce the initial volume of construction waste introduced to our home sites in the first place. To support this strategy, in 2017, the division implemented tighter material counts for lumber orders prior to delivery and increasing value engineering of home designs to achieve more efficient use of materials while also reducing costs. On a per-home basis, this change resulted in 336 pounds less concrete waste, 336 pounds less wood waste and 112 pounds less landfill waste across the division. Several of our divisions utilize similar methods to minimize the generation of waste. For example, our Florida divisions have implemented a number of operational and materials ordering process improvements that reduce waste and support increased consistency, including using panelized walls, floors and roofs, pre-cutting sheathing and select lumber off site and employing Norbord TallWall exterior sheathing, which is designed to reduce waste in homes with high ceilings.

Leveraging Our Supply Chain

Our supply chain sustainability strategies are an effective multiplier and extension of our internal initiatives. We select our strategic partners based in part on a shared commitment to conserving natural resources and work closely with them to ensure that the materials that go into our homes support our sustainability values.

For example, we took an early lead in our industry over a decade ago by requiring our lumber suppliers to provide us with wood that is not sourced from endangered forests or is certified by recognized sustainable forestry management programs, like the Forest Stewardship Council (FSC) program. We have also acted as a public proponent for the preservation of old-growth national forests in partnership with the NRDC.

We also seek out products that provide independent sustainability assessment, like the Cradle to Cradle Certified™ Product Program (C2C). C2C provides an independent, third-party assessment of a product’s performance against rigorous standards and evaluates both a company’s products and operations based on material health, material reutilization, renewable energy, water stewardship and social fairness. A number of our national suppliers participate in the C2C certification process, from our flooring partner, Shaw®, to our solar panel partner, SunPower®, to our paint partner, Sherwin-Williams®.
Model Home Energy Tracking
In order to reduce our operational carbon footprint, we track and manage energy consumption in the hundreds of model homes used as showcases for our home designs nationwide. These ENERGY STAR® certified homes are built to the same quality standards as all of our new homes. Following an extensive audit and improvement process in 2012 that resulted in a 10% energy consumption reduction in the first year, we continue to make our model homes even more efficient by tracking the average energy spend per model home on an ongoing basis. As a result of this 2012 process improvement, we estimate that we save approximately 2.5 million kWh each year, the equivalent of more than 1,000 metric tons of carbon dioxide emissions.

CONSUMER EDUCATION AND OUTREACH
Sustainability is as much about engaging and motivating consumers as it is about technology and materials advancements.

As a company whose entire business model is based on an exceptional and deep understanding of our customers, we know the importance of putting our homebuyers at the heart of everything we do. That is why consumer education and outreach has always been an integral part of our approach to sustainability.

In 2017, we held numerous consumer education and outreach events, including the celebration of our milestone 100,000th ENERGY STAR® certified new home delivered, home energy rating demonstration events in partnership with RESNET®, our seasonal Beat the Heat campaign promoting our energy- and water-efficient features as well as offering tips to keep cool during the summer months, and other events. We use these events to demonstrate the direct, measurable results of the sustainability we build into every KB home and how they can contribute to creating a healthier, more sustainable lifestyle for our homebuyers. A core message continues to be how conserving energy and water can lower the long-term costs of homeownership for our customers.
2018/19 PRIORITIES

In our inaugural sustainability report in 2008, we outlined our long-term strategic goals, which have continued to evolve over time. We take a broad approach to sustainability, focusing on energy efficiency, water conservation, healthier home environments, smart systems and waste reduction, to help improve our homebuyers’ quality of life, reduce the long-term cost of homeownership and support the environment we all share.

In 2018 and into 2019, we will work to advance our core sustainability goals with the following priorities and strategic initiatives:

• **Reach our long-term goal of an average company-wide HERS® score of 55**, a target that we set in 2014 and have made consistent, meaningful progress toward each year since.

• **Provide our customers with additional information about the expected energy performance of their homes.**

• **Enhance the homes we build with product improvements and new product introductions** across our core eDifference® categories, including expanding our Smart Systems and Healthy Home features.

• Design and build our health-focused, next-generation KB ProjeKt® concept home of the future as our dedicated R&D activity for 2018, working in collaboration with core strategic partners and other resources to help identify and foster the future of the American home for consumers and our industry.

• **Lead pilot of new HERSH2O national water-efficiency rating system** we are co-developing with RESNET® and the NRDC, which is intended to help homebuyers and other stakeholders, such as utilities, to quantify the expected water-efficiency performance of rated homes.

• **Make progress toward our objective of reaching zero landfill waste from our construction operations by 2025.**
BUILDING COMMUNITIES, NOT JUST HOUSES: SOCIAL AND ECONOMIC SUSTAINABILITY

Sustainability is not only about being “green” or offering energy-efficient products. For a company, it is also about being a financially sustainable business that can grow in the shifting business climate of the future, weather market conditions, adapt to meet emerging customer needs and deliver a superior customer experience. It also means working to make a positive contribution to the various social and geographic communities it serves.

As a homebuilder whose product can serve as a foundation for social, family and community life, it is important to us to support not only a lighter environmental footprint for our homeowners, but also to encourage important social and economic ties.

60th Anniversary Celebration
In 2017, KB Home celebrated 60 years in business, a meaningful milestone and prominent indicator of economic sustainability. It demonstrates a track record of combining data-driven knowledge of today’s homebuyers with the ability to prepare for what is coming over the horizon. We are pleased to have created a platform for long-term growth that provides meaningful work for our employee team members, offers expansion opportunities for our trade partners, can generate returns for our stockholders and enables us to operate as an active member of the communities in which we work, live and build homes. We still have more work to do, and we look forward to many more years of supporting the dreams of our homebuyers and enhancing our relationships with our stakeholders.

Trade Partners
Our trade partners are an important element of our success. They are more than suppliers – they are collaborators invested in our growth and with which we have maintained long-standing business relationships.

Each fall, we bring all of our key partners together for our annual two-day National Strategic Supplier Conference. Many of our process improvements have been born from the ideas generated during these collaborative brainstorming sessions, which are essential components of our planning for the following year and years to come.
Collaboration with these core partners was the engine for innovation that drove the Greenbuild KB ProjeKt concept home of the future in 2016, leveraging technologies and products to meet homebuyers’ needs in new ways. In 2018, we are expanding on that experience to conceive, design and build the next generation of KB ProjeKt, which will broaden its focus to today’s forward-looking 55+ buyer and their home of the future. The newest KB ProjeKt home will debut in Las Vegas in February 2019 in conjunction with the International Builders’ Show™.

Spotlight: Flexible Design for Multigenerational Buyers

Part of social sustainability is evolving our products to meet the changing makeup of our homebuyers and their families. While married couples with young children still make up a large proportion of our homebuyers, we have seen significant demographic and family configuration shifts, as well as shifts in the makeup of those individual families over time:

- In 2017, 22% of all homebuyers with children in our served markets had at least one adult child living at home.
- Many KB homebuyers have an older family member living with them for at least part of the year.
- Single people make up a much larger proportion of our homebuyers than 10 years ago.

And any one family may have some or all of these characteristics over the time they own their KB home.

Our *Built to Order™* model supports a flexible approach to design, including structural options like converting a den to a secondary bedroom or upgrading a bedroom to a junior master suite. In addition, in select home designs, we have incorporated flexibility specifically with multigenerational families and shifting household compositions in mind. In Colorado, we offer home designs with full basements that have private entrances, perfect for returning adult children, older family members or houseguests. Our large flex spaces are also ideal for these changing families, easily shifting from rec rooms to secondary living areas. Select home designs also offer the option of adding a secondary master suite downstairs or universal design options for older family members who may have mobility issues or for homeowners who want to age in place.

National Advisory Board Members

In 2009, we formed our National Advisory Board (NAB) in an effort to formalize our stakeholder engagement and provide an independent perspective on KB Home’s sustainability initiatives and progress. We are privileged to have leaders from diverse disciplines bring their expertise from beyond the homebuilding industry. They ask perceptive questions, challenge our thinking and make us a better organization in the process. We consider our NAB to be among the central assets of our business. Our NAB meets twice a year, with the participation of our Chairman of the Board, senior executive for sustainability and senior executive for government and public affairs, and its members also consult with us from time to time throughout the year.

### NATIONAL ADVISORY BOARD MEMBERS

**Jacob Atalla**  
Vice President, Sustainability, KB Home

**Dan Bridleman**  
Senior Executive, Strategic Sourcing, KB Home

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

**Dr. Jonathan Fink**  
Professor of Geology, Senior Advisor, Office of the President, Portland State University

**Larry Gotlieb**  
Senior Executive, Government and Public Affairs, KB Home

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

**Sheila Hollis, Esq.**  
Partner, Duane Morris LLP

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

**Larry Gotlieb**  
Senior Executive, Government and Public Affairs, KB Home

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

**Sheila Hollis, Esq.**  
Partner, Duane Morris LLP

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

**Nancy LeaMond**  
Executive Vice President for Social Impact, AARP

**Jeff Mezger**  
Chairman, President and Chief Executive Officer, KB Home

**Lou Moret**  
Former CalPERS Board Member

**Andre Pettigrew**  
Director, Office of Economic and Workforce Development, City of Durham

**Tim Smith**  
Principal – AIA, AICP, SERA Architects, Inc.
We believe homebuilding is about creating communities, not just homes, which is why we are active members of the wider communities in which we live and work. As a homebuilder, we place particular emphasis on supporting organizations that embody the concept of “home,” especially those that benefit the environment and provide shelter and assistance for abused women and children in the regions in which we build.

In 2017, we led 130 formal KB Cares events and activities that helped raise more than $500,000 for important organizations and causes that improve the quality of life and foster greater connection in our communities.

To celebrate our 60th Anniversary in 2017 and as part of our ongoing KB Cares initiative, we launched “60 Acts of Kindness,” a series of national and local service activities that KB Home carried out across the country to support the communities where we live, work and build homes. For example, we teamed up with our long-time national paint supplier, Sherwin-Williams®, for their National Painting Week initiative. Across the country, KB Home employees worked shoulder to shoulder with local Sherwin-Williams team members to help revitalize community spaces, including community centers, schools, shelters and public recreational spaces.

We also support Ronald McDonald House Charities®, which provides a home away from home for families with children receiving treatment at hospitals and medical facilities. Both our corporate offices and select division teams across the country donated time to help these families in need.

These efforts are supported by additional donations of time, money and resources to charitable organizations at the local division level and serve to strengthen community bonds. These activities not only provide valuable support for critical community resources, but also bring our team tremendous joy and satisfaction and foster expanded working relationships.

**Faces of Sustainability**

“In 2017, we celebrated our 10th Annual KB Home Golf Classic, adding more than $100,000 to our future cardiac work. This extraordinary partnership with KB Home will continue to impact lives for years to come as we work together to do important work in the communities that we both serve.”

Kerry Pendergast
Chairman of the Board, Riverside University Health System
What Makes a Sustainable Business

Being a sustainable business means balancing the needs of our stakeholders to create a successful product in the marketplace while also creating a platform for long-term financial growth.

Investing in Our Communities

We focus on creating neighborhoods where families can start putting down roots, and that, over time, mature into thriving communities. We have built thousands of communities across the U.S. These neighborhoods often include communal spaces and community infrastructure, like community centers, recreational facilities, walking and bike trails, elementary schools, community gardens and more. In 2017, we contributed nearly $40 million in local school fees.

It is also our view that contributing to the housing stock of a community is a form of infrastructure development. It offers homes to families and can make a positive long-term impact on the social and economic sustainability of the wider community. In addition, our commitment to building homes that are highly energy efficient makes an incremental positive impact on the overall sustainability of these communities.

Making homeownership attainable is at the core of what we have done for more than 60 years, and building homes that are affordably priced for working families is an important part of that. We believe our focus on making homeownership attainable for working families in the areas in which we build, particularly for those men and women who are essential to the functioning of healthy, safe communities, like teachers, police officers, firefighters, public sector employees and members of the military, contributes to making an entire community stronger.

FACES OF SUSTAINABILITY

“For many years, KB Home and its employees have been good neighbors, not only by building energy-efficient homes for hard-working San Antonio families but also by rolling up their sleeves and volunteering in a variety of ways to make our community a better place to live and leading by example.”

Rey Saldana
City Councilman, City of San Antonio and KB Homeowner

Investing in Our People

Our employee team is among our most valuable assets, and we believe that investing in our people is important to our continued success. We strive to create an environment that offers our employees satisfying work, with meaningful opportunities for career growth and development, and an appropriate balance with family and personal needs. For example, we provide an Employee Assistance and Work/Life Support Program that gives our employees 24/7 access to an independent advocate to confidentially assist them with legal, parenting, senior care, child care, pet care and identity theft, among other concerns. This investment and support for our team members may be one reason that a number of them have been with KB Home for more than 25 years. We also believe in the benefits of including a variety of individual perspectives and backgrounds within our organization and seek out diversity of experience in our hiring. In addition, we think that our sustainability focus attracts some of the best and brightest to our company and encourages them to remain with us to help lead the future of our industry. We often utilize the information in this report in our recruitment efforts.
Dedicated Focus on Our Customers
At the core of our innovative KB2020 business model is a focus on our customers. It starts with our extensive proprietary survey process, in which we asked thousands of recent homebuyers in every one of our markets what they felt was important to them and how that was reflected in the real-life trade-off decisions they made when purchasing their home. This specific data drives key operating decisions, from land purchases to community design to home design to what features to include or offer as options. We extend this approach to our consumer-facing Built to Order™ process that empowers our buyers to create a home as individual as they are.

This customer focus is reflected in our product satisfaction ratings. As reported by H2insight, our 2017 30-day post-purchase satisfaction rating from homeowners was 92%, and 90% of our homeowners said they would recommend KB Home to a friend.

Economic Resiliency
Economic sustainability is grounded in a resilient business platform that is an engine for growth. As a homebuilder serving primarily the first-time, first move-up and active-adult buyer segments, effectively balancing affordability with the features and products that add to the cost of a home is a daily activity for us. Our Built to Order approach underscores this emphasis by focusing on each customer’s individual needs and wants through a high level of choice and personalization. We find this reduces our overhead risk, increases customer satisfaction and supports greater predictability in our business performance.

In addition, we are geographically diversified to mitigate the impact of individual market variations, building in 35 markets across the country. In 2017, we delivered nearly 11,000 homes nationwide with revenues of $4.4 billion. We are publicly traded on the NYSE under the ticker symbol KBH. In our 60-year history we have built more than 600,000 new homes for families from coast to coast. For more information on our financial and operational results and strategies, please see our Annual Report or Form 10-K for the fiscal year ended November 30, 2017.

In addition to the direct economic impact of our business for our employees and stockholders, the homebuilding industry is a key engine of growth for the wider U.S. economy. Each time a new single-family home is built, the amount of paid employment created is equivalent to three new jobs for a year, measured in full-time equivalents, according to a 2015 study by the National Association of Home Builders (NAHB)®. In addition, the purchase of a new home can generate additional economic activity for a variety of businesses as the family moves in and furnishes their new home. After moving in, our homeowners often become customers for local businesses, like grocery stores, restaurants, dry cleaners and gardening services.
Organizational Profile and Governance

Governance
Our business is conducted under the direction of our Chairman, President and Chief Executive Officer with the oversight of our Board of Directors, including a Lead Independent Director. Our Board of Directors is elected by our stockholders to oversee the management of our business and to assure that the long-term interests of our stockholders are being served. Other than our Chairman, President and Chief Executive Officer, all Board members who served during our 2017 fiscal year were independent under the Board’s independence standards.

Our Board of Directors has adopted Corporate Governance Principles that provide the framework within which we conduct our business and pursue our strategic goals. In addition, all of our Board members and employees are expected to follow the highest ethical standards when representing KB Home’s interests and must abide by our Ethics Policy. We also maintain an Ethics Policy hotline (800-304-0657) and reporting website (kbhome.ethicspoint.com), administered by an independent third-party to ensure maximum possible confidentiality and neutrality. Our Corporate Governance Principles and Ethics Policy are available on our website at http://investor.kbhome.com/corporate-governance.cfm. Print copies of our Corporate Governance Principles and Ethics Policy are available without charge through written requests to our Corporate Secretary. In addition, comments or questions for the KB Home Board of Directors or any individual Board member can be directed in care of our Corporate Secretary at KB Home, 10990 Wilshire Blvd., Los Angeles, CA 90024.

Stakeholder Engagement
Maintaining our sustainability commitment requires more than simply establishing an environmental initiative. It involves ongoing consensus building and close collaboration across the organization to leverage the combined experience, creativity and dedication of the entire KB Home team. In a business that depends as heavily as ours does on a network of business and trade partners at both the national and local levels as well as the support of community partners and other non-governmental organizations, it is essential to create consensus within our larger network of key stakeholders. We work closely with a variety of stakeholders at the national and divisional levels, including:

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

In addition to informal stakeholder engagement, we regularly receive input from stakeholders through our National Advisory Board, which is described in further detail here [link].

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

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

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

Our senior executive for government and public affairs oversees our participation in the public policy-making 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 2017, the KB Home American Dream Political Action Committee contributed $2,500 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 2017, we contributed $400,747 to campaigns for state and local offices in California and Nevada. The California contributions can be found on the California Secretary of State’s website at www.cal-access.ss.ca.gov.
We are also members of various trade associations in our markets, primarily to establish business connections with local building industry companies. From time to time, we obtain services from these trade associations, including local marketing studies, signage and advertising placements, and continuing education or training classes. Some of these trade associations automatically allocate a portion of the fees we pay for membership dues and services to use for their own independent political activities, and we do not monitor or control how these automatic allocations are used. To the extent we are informed of such automatic allocations by trade associations to which we pay fees of more than $50,000 in a fiscal year, we will publicly report the total amount automatically allocated. In our 2017 fiscal year, there were six such trade associations—Building Industry Association of Southern California, Home Builders Association of Central Arizona, Home Builders Association of Metro Denver, Leading Builders of America, North State Building Industry Association and Southern Nevada Home Builders Association. Based solely on their reports to us, these six trade associations automatically allocated an aggregate total of $152,875.

Sustainability Oversight Structure
We have a number of governance structures that are specifically tasked with driving our sustainability strategies and actions throughout our entire organization:
- Board of Directors Oversight: The Board of Directors supports sustainability as an important corporate goal.
- National Advisory Board: As discussed here [link], nationally recognized leaders meet twice yearly with us to discuss recommendations related to sustainability and other issues.
- Environmental Leadership Team: A group of key executives convenes on a regular basis to discuss sustainability strategies, craft and refine company policies and initiatives, and create buy-in with leaders across all of our operating regions and major functional departments.

Inquiries regarding our sustainability initiatives can be directed to sustainability@kbhome.com.

Carbon Footprint Reporting
KB Home has been publishing carbon footprint measurement information since the release of our inaugural 2007 Sustainability Report, and we intend to continue to report on it as a normal course of business.
DATA AND REPORTING

We believe transparency and accountability are important components of sustainability reporting, which is why we share our results for key performance indicator metrics across a variety of functions, with data comparisons going back a decade.

This report was prepared based on the GRI’s 2013 G4 Sustainability Reporting Guidelines, and we also provide an index for where that data can be found within the report.

ENVIRONMENTAL PERFORMANCE OVERVIEW

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL # OF HOMES DELIVERED</strong></td>
<td>23,743</td>
<td>12,438</td>
<td>8,488</td>
<td>7,346</td>
<td>5,812</td>
<td>6,282</td>
<td>7,145</td>
<td>7,215</td>
<td>8,196</td>
<td>9,829</td>
<td>10,909</td>
</tr>
<tr>
<td><strong>ENERGY EFFICIENCY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td># of ENERGY STAR® certified homes delivered</td>
<td>7,467</td>
<td>4,736</td>
<td>5,268</td>
<td>6,631</td>
<td>6,577</td>
<td>6,207</td>
<td>7,078</td>
<td>7,168</td>
<td>8,099</td>
<td>9,768</td>
<td>10,736</td>
</tr>
<tr>
<td>% of total homes delivered that ENERGY STAR certified</td>
<td>31%</td>
<td>38%</td>
<td>62%</td>
<td>90%</td>
<td>93%</td>
<td>99%</td>
<td>99%</td>
<td>99%</td>
<td>99%</td>
<td>99%</td>
<td>98%</td>
</tr>
<tr>
<td>% of KB Home divisions building at least 50% of homes to ENERGY STAR specifications</td>
<td>83%</td>
<td>91%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td># of ENERGY STAR certified appliances installed</td>
<td>N/A</td>
<td>18,804</td>
<td>12,718</td>
<td>13,292</td>
<td>9,929</td>
<td>9,065</td>
<td>9,095</td>
<td>9,789</td>
<td>11,181</td>
<td>13,261</td>
<td>15,278</td>
</tr>
<tr>
<td>Homeowner satisfaction ratings on the energy efficiency of their KB home</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>91.9%</td>
<td>92.5%</td>
<td>93.1%</td>
<td>92.8%</td>
<td>91.5%</td>
<td>91%</td>
<td>91%</td>
<td>89%</td>
</tr>
<tr>
<td><strong>WATER CONSERVATION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td># of KB homes built to EPA WaterSense® new WaterSense® specifications</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>11</td>
<td>97</td>
<td>85</td>
<td>61</td>
<td>96</td>
<td>233</td>
<td>265</td>
<td>170</td>
</tr>
<tr>
<td># of Water Smart homes built</td>
<td>1,064</td>
<td>881</td>
<td>393</td>
<td>521</td>
<td>412</td>
<td>438</td>
<td>503</td>
<td>400</td>
<td>589</td>
<td>837</td>
<td>854</td>
</tr>
<tr>
<td># of EPA WaterSense labeled toilets installed in KB homes</td>
<td>N/A</td>
<td>154</td>
<td>15,189</td>
<td>19,096</td>
<td>18,240</td>
<td>22,500</td>
<td>23,500</td>
<td>23,800</td>
<td>28,700</td>
<td>34,400</td>
<td>40,000</td>
</tr>
<tr>
<td>toilets</td>
<td>N/A</td>
<td>486</td>
<td>1,260</td>
<td>2,026</td>
<td>14,500</td>
<td>18,100</td>
<td>20,000</td>
<td>20,200</td>
<td>23,000</td>
<td>27,600</td>
<td>33,600</td>
</tr>
<tr>
<td>showerheads</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>241</td>
<td>12,200</td>
<td>13,700</td>
<td>15,000</td>
<td>15,150</td>
<td>16,400</td>
<td>19,700</td>
<td>23,400</td>
</tr>
<tr>
<td>-----------------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td><strong>MY HOME, MY EARTH</strong>&lt;sup&gt;1,2&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OPTIONAL PRODUCTS AND UPGRADES</strong>&lt;sup&gt;3&lt;/sup&gt;</td>
<td>Total # of My Home, My Earth, optional upgrades, installed&lt;sup&gt;4,5&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>N/A</td>
<td>N/A</td>
<td>21,010</td>
<td>23,155</td>
<td>18,412</td>
<td>20,039</td>
<td>33,582</td>
<td>35,373</td>
<td>46,717</td>
<td>52,094</td>
<td>59,454</td>
</tr>
<tr>
<td><strong>OFFICE SUSTAINABILITY PRACTICES</strong>&lt;sup&gt;6&lt;/sup&gt;</td>
<td>% of office supplies purchased that are earth conscious</td>
<td>23%</td>
<td>27%</td>
<td>26%</td>
<td>33%</td>
<td>29%</td>
<td>22%</td>
<td>15%</td>
<td>20%</td>
<td>19%</td>
<td>22%</td>
</tr>
<tr>
<td></td>
<td>Number of meeting hours held on lab&lt;sup&gt;7&lt;/sup&gt;</td>
<td>N/A</td>
<td>1,954</td>
<td>1,978</td>
<td>1,665</td>
<td>1,708</td>
<td>1,533</td>
<td>1,988</td>
<td>2,048</td>
<td>1,939</td>
<td>1,978</td>
</tr>
<tr>
<td></td>
<td>Recycled paper (office grade) processed through our office recycling program; which recycling the paper after shredding (lbs)&lt;sup&gt;8&lt;/sup&gt;</td>
<td>56,440</td>
<td>148,940</td>
<td>72,390</td>
<td>467,979</td>
<td>158,129</td>
<td>94,703</td>
<td>123,637</td>
<td>66,114</td>
<td>203,341</td>
<td>165,606</td>
</tr>
<tr>
<td></td>
<td>Trees saved</td>
<td>479</td>
<td>1,266</td>
<td>615</td>
<td>3,978</td>
<td>1,344</td>
<td>805</td>
<td>1,051</td>
<td>555</td>
<td>1,706</td>
<td>1,389</td>
</tr>
<tr>
<td></td>
<td>Water saved (gal)&lt;sup&gt;9&lt;/sup&gt;</td>
<td>197,540</td>
<td>521,290</td>
<td>253,365</td>
<td>1,637,925</td>
<td>553,451</td>
<td>331,459</td>
<td>432,728</td>
<td>906,125</td>
<td>2,786,903</td>
<td>2,268,713</td>
</tr>
<tr>
<td></td>
<td>Air pollution avoided (lbs)&lt;sup&gt;10&lt;/sup&gt;</td>
<td>16,932</td>
<td>44,682</td>
<td>21,717</td>
<td>14,039</td>
<td>4,743</td>
<td>2,841</td>
<td>3,709</td>
<td>47,867</td>
<td>147,219</td>
<td>119,889</td>
</tr>
<tr>
<td></td>
<td>Landfill reduction (cu. yds)&lt;sup&gt;11&lt;/sup&gt;</td>
<td>84</td>
<td>223</td>
<td>109</td>
<td>702</td>
<td>237</td>
<td>142</td>
<td>185</td>
<td>165</td>
<td>508</td>
<td>414</td>
</tr>
<tr>
<td></td>
<td>Electricity saved (kWh)&lt;sup&gt;12&lt;/sup&gt;</td>
<td>115,702</td>
<td>305,327</td>
<td>148,400</td>
<td>959,356</td>
<td>324,164</td>
<td>191,140</td>
<td>253,455</td>
<td>74,709</td>
<td>229,776</td>
<td>187,134</td>
</tr>
<tr>
<td></td>
<td>Oil saved (gal)&lt;sup&gt;13&lt;/sup&gt;</td>
<td>12,981</td>
<td>34,256</td>
<td>16,650</td>
<td>107,635</td>
<td>36,370</td>
<td>21,782</td>
<td>28,436</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>OUR CARBON FOOTPRINT</strong>&lt;sup&gt;14&lt;/sup&gt;</td>
<td>Estimated greenhouse gas emissions for KB homes, per delivered home&lt;sup&gt;15&lt;/sup&gt; (in metric tons)</td>
<td>N/A&lt;sup&gt;16&lt;/sup&gt;</td>
<td>42,204</td>
<td>20,206</td>
<td>17,015</td>
<td>14,549</td>
<td>13,468</td>
<td>14,092</td>
<td>16,078</td>
<td>19,186</td>
<td>22,981</td>
</tr>
<tr>
<td></td>
<td>Estimated greenhouse gas emissions from intensity per delivered home&lt;sup&gt;17&lt;/sup&gt;</td>
<td>N/A&lt;sup&gt;16&lt;/sup&gt;</td>
<td>0.0000139 (42,204 metric tons/US $3,053,936,000 total revenue)</td>
<td>0.0000112 (20,206 metric tons/US $1,824,850,000 total revenue)</td>
<td>0.0000107 (17,015 metric tons/US $1,589,956,000 total revenue)</td>
<td>0.0000111 (14,549 metric tons/US $1,315,866,000 total revenue)</td>
<td>0.0000098 (13,468 metric tons/US $1,160,115,000 total revenue)</td>
<td>0.0000088 (14,092 metric tons/US $2,284,978,000 total revenue)</td>
<td>0.0000067 (16,078 metric tons/US $2,409,948,000 total revenue)</td>
<td>0.0000066 (19,186 metric tons/US $3,058,900,000 total revenue)</td>
<td>0.0000057 (25,082 metric tons/US $4,368,529,000 total revenue)</td>
</tr>
<tr>
<td></td>
<td>Estimated greenhouse gas emissions activity-related intensity per delivered home&lt;sup&gt;16&lt;/sup&gt;</td>
<td>N/A&lt;sup&gt;16&lt;/sup&gt;</td>
<td>3.4 (42,204 metric tons/12,438 homes)</td>
<td>2.4 (20,206 metric tons/8,488 homes)</td>
<td>2.3 (17,015 metric tons/7,348 homes)</td>
<td>2.5 (14,549 metric tons/5,612 homes)</td>
<td>2.1 (13,468 metric tons/6,282 homes)</td>
<td>2.0 (14,092 metric tons/7,145 homes)</td>
<td>2.2 (16,078 metric tons/6,715 homes)</td>
<td>2.3 (19,186 metric tons/6,196 homes)</td>
<td>2.3 (25,082 metric tons/9,829 homes)</td>
</tr>
<tr>
<td><strong>WASTE REDUCTION AND RECYCLING</strong>&lt;sup&gt;18&lt;/sup&gt;</td>
<td>% of KB homes built with preconstructed panels&lt;sup&gt;19&lt;/sup&gt;</td>
<td>65%</td>
<td>90%</td>
<td>90%</td>
<td>100%</td>
<td>100%</td>
<td>98%</td>
<td>85% (est.)</td>
<td>85% (est.)</td>
<td>85% (est.)</td>
<td>85% (est.)</td>
</tr>
<tr>
<td></td>
<td>% of KB Home communities incorporating recycling into their standard practices&lt;sup&gt;20&lt;/sup&gt;</td>
<td>N/A</td>
<td>N/A</td>
<td>44%</td>
<td>71%</td>
<td>91%</td>
<td>64%</td>
<td>70% (est.)</td>
<td>80% (est.)</td>
<td>85% (est.)</td>
<td>85% (est.)</td>
</tr>
</tbody>
</table>

---

1 Project site conditions and development requirements, as well as factors outside of our control, can restrict our ability to build ENERGY STAR homes in certain communities.
3 Began tracking in 2010, from a 12-month post-closing survey on a scale of 0–100% satisfaction.
4 Construction commenced in late 2010.
5 Las Vegas market only, in conjunction with the Southern Nevada Water Authority.
6 2012–2014 figures are estimated.
7 Began tracking in 2009. Optional upgrades include appliances, HVAC equipment, WaterSense labeled fixtures, ENERGY STAR certified doors and low-E windows. Figures are estimated.
8 Began tracking in 2008. It was a virtual meeting system that minimizes air and car travel for training, meetings and events. It was discontinued in 2017, in favor of cloud-based services. 2017 data not available.
9 This provider also calculated the environmental benefits in the related rows below. This figure does not include the recycling programs we have established in the majority of our local offices. Increase in 2012 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.
10 Data not available for comprehensive emissions estimate.
11 Based on the methodology identified by the Carbon Disclosure Project.
12 Data not available for comprehensive emissions estimate.
13 Preconstructed panels help to minimize waste and increase durability, and are constructed off site for greater precision. Using these panels results in more airtight, better insulated and helps reduce energy bills.
14 Began tracking in 2009.
# Social Performance Overview

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total # of Homes Delivered</strong></td>
<td>23,743</td>
<td>12,438</td>
<td>8,488</td>
<td>7,346</td>
<td>5,812</td>
<td>6,282</td>
<td>7,145</td>
<td>7,215</td>
<td>8,196</td>
<td>9,829</td>
<td>10,909</td>
</tr>
<tr>
<td><strong>Stakeholder and Community Involvement</strong></td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>National Advisory Board</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure development - approx. school-related fees paid</td>
<td>N/A</td>
<td>$35 million</td>
<td>$25 million</td>
<td>$21 million</td>
<td>$20 million</td>
<td>$22 million</td>
<td>$26 million</td>
<td>$25 million</td>
<td>$28 million</td>
<td>$34 million</td>
<td>$40 million</td>
</tr>
<tr>
<td><strong>Employees, Training, and Labor Practices</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td># of full-time employees</td>
<td>3,556</td>
<td>1,892</td>
<td>1,446</td>
<td>1,346</td>
<td>1,204</td>
<td>1,172</td>
<td>1,422</td>
<td>1,605</td>
<td>1,710</td>
<td>1,797</td>
<td>1,936</td>
</tr>
<tr>
<td># of collective bargaining agreements with employees</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Employee Injuries by Region:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>West</td>
<td>6</td>
<td>13</td>
<td>13</td>
<td>6</td>
<td>7</td>
<td>4</td>
<td>8</td>
<td>6</td>
<td>7</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>Southwest</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>7</td>
<td>6</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>Central</td>
<td>5</td>
<td>16</td>
<td>3</td>
<td>5</td>
<td>2</td>
<td>14</td>
<td>5</td>
<td>5</td>
<td>10</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>Southeast</td>
<td>7</td>
<td>13</td>
<td>3</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>6</td>
<td>5</td>
<td>6</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>Average online training certifications per employee</td>
<td>46</td>
<td>36</td>
<td>17</td>
<td>14</td>
<td>12</td>
<td>12</td>
<td>17</td>
<td>13</td>
<td>14</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>Average online training hours per employee</td>
<td>35</td>
<td>27</td>
<td>13</td>
<td>11</td>
<td>10</td>
<td>12</td>
<td>13</td>
<td>10</td>
<td>11</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td><strong>Annual Core Training Certification Rate:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KBest White Papers</td>
<td>92%</td>
<td>98%</td>
<td>96%</td>
<td>97%</td>
<td>91%</td>
<td>90%</td>
<td>83%</td>
<td>87%</td>
<td>83%</td>
<td>66%</td>
<td>70%</td>
</tr>
<tr>
<td>Ethics Policy</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>99%</td>
<td>99%</td>
<td>98%</td>
<td>96%</td>
<td>97%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>100% Complete/100% Satisfied</td>
<td>94%</td>
<td>99%</td>
<td>98%</td>
<td>97%</td>
<td>92%</td>
<td>97%</td>
<td>100%</td>
<td>90%</td>
<td>85%</td>
<td>75%</td>
<td>77%</td>
</tr>
<tr>
<td>My Home, My Earth</td>
<td>N/A</td>
<td>99%</td>
<td>99%</td>
<td>95%</td>
<td>93%</td>
<td>83%</td>
<td>85%</td>
<td>85%</td>
<td>81%</td>
<td>64%</td>
<td>70%</td>
</tr>
<tr>
<td>Number of safety certifications</td>
<td>6,874</td>
<td>2,125</td>
<td>210</td>
<td>200</td>
<td>20</td>
<td>235</td>
<td>894</td>
<td>1,045</td>
<td>901</td>
<td>861</td>
<td>199</td>
</tr>
</tbody>
</table>

---

1. Decline is due in large part to our lower numbers of new employees, who are required to complete a large number of certifications as part of our new-hire orientation.
2. Decline is due in large part to lower numbers of new employees, who are required to complete more hours of training as part of our new-hire orientation. In addition to online training and certifications, we conduct on-site field training of employees that is not reflected in these numbers.
3. As of 2010, required for new hires only. Decline in 2015 is due to transition to a new learning management system.
4. As of 2010, required for new hires only. Decline in 2016 is due to transition to a new learning management system.
5. As of 2010, required for new hires only. Decline in 2016 is due to transition to a new learning management system.
6. Required for new hires only; significantly declined in 2011 due to lower numbers of new employees in relevant positions.
# Economic Performance Overview

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total # of Homes Delivered</strong></td>
<td>23,743</td>
<td>12,438</td>
<td>8,488</td>
<td>7,346</td>
<td>5,812</td>
<td>6,282</td>
<td>7,145</td>
<td>7,215</td>
<td>8,196</td>
<td>9,829</td>
<td>10,909</td>
</tr>
<tr>
<td><strong>Financial</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></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>
<td>$1,315,866</td>
<td>$1,560,115</td>
<td>$2,084,978</td>
<td>$2,400,949</td>
<td>$3,032,030</td>
<td>$3,594,646</td>
<td>$4,368,529</td>
</tr>
<tr>
<td>Net income/loss (in thousands)</td>
<td>($929,414)</td>
<td>($976,131)</td>
<td>($101,784)</td>
<td>($69,366)</td>
<td>($178,768)</td>
<td>($58,953)</td>
<td>$39,963</td>
<td>$918,349</td>
<td>$84,643</td>
<td>$105,615</td>
<td>$180,595</td>
</tr>
<tr>
<td>Net orders</td>
<td>19,490</td>
<td>8,274</td>
<td>8,341</td>
<td>6,556</td>
<td>6,632</td>
<td>6,703</td>
<td>7,125</td>
<td>7,567</td>
<td>9,253</td>
<td>10,283</td>
<td>10,900</td>
</tr>
<tr>
<td>Backlog units</td>
<td>6,322</td>
<td>2,269</td>
<td>2,126</td>
<td>1,336</td>
<td>2,156</td>
<td>2,577</td>
<td>2,577</td>
<td>2,909</td>
<td>3,966</td>
<td>4,420</td>
<td>4,411</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>
<td>$458,950</td>
<td>$618,626</td>
<td>$682,489</td>
<td>$914,025</td>
<td>$1,281,478</td>
<td>$1,519,089</td>
<td>$1,660,131</td>
</tr>
<tr>
<td>Average selling price</td>
<td>$261,600</td>
<td>$236,400</td>
<td>$207,100</td>
<td>$214,500</td>
<td>$224,600</td>
<td>$246,500</td>
<td>$291,700</td>
<td>$328,400</td>
<td>$354,800</td>
<td>$363,800</td>
<td>$307,400</td>
</tr>
<tr>
<td>Housing gross margin</td>
<td>(5.7%)</td>
<td>(7.1%)</td>
<td>6.5%</td>
<td>17.4%</td>
<td>13.4%</td>
<td>14.9%</td>
<td>16.7%</td>
<td>18.1%</td>
<td>16.3%</td>
<td>16.2%</td>
<td>16.3%</td>
</tr>
</tbody>
</table>

**Customer Satisfaction**

- Customer satisfaction index:
  - 8.9  
  - 9.3  
  - 9.5  
  - 9.5  
  - 9.5  
  - 9.4  
  - 9.2  
  - 9.1  
  - 9.1  
  - 9.2  
  - 9.2

- Customer recommendation rating:
  - N/A  
  - N/A  
  - N/A  
  - 9.5  
  - 9.5  
  - 9.4  
  - 9.1  
  - 9.0  
  - 8.9  
  - 8.9  
  - 9.0

---

1. From a 30-day post-closing survey on a scale of 1-10.
2. From a 30-day post-closing survey on a scale of 1-10; began tracking in 2010.
# GLOBAL REPORTING INITIATIVE INDEX OF 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>G4-EN7</td>
<td>Reductions in energy requirements of products and services</td>
<td>Pages 9–12</td>
</tr>
<tr>
<td>G4-EN15</td>
<td>Direct Greenhouse Gas (GHG) emissions (scope 1)</td>
<td>Pages 26, 28</td>
</tr>
<tr>
<td>G4-EN16</td>
<td>Energy indirect Greenhouse Gas (GHG) emissions (scope 2)</td>
<td>Pages 26, 28</td>
</tr>
<tr>
<td>G4-EN27</td>
<td>Extent of impact mitigation of environmental impacts of products and services</td>
<td>Pages 9–14, 28</td>
</tr>
<tr>
<td><strong>ECONOMIC</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4-EC1</td>
<td>Direct economic value generated and distributed</td>
<td>Pages 24, 28, 10-K</td>
</tr>
<tr>
<td>G4-EC2</td>
<td>Financial implications and other risks and opportunities for the organization’s activities due to climate change</td>
<td>10-K</td>
</tr>
<tr>
<td>G4-EC7</td>
<td>Development and impact of infrastructure investments and services supported</td>
<td>Page 30</td>
</tr>
<tr>
<td><strong>SOCIAL PERFORMANCE: SOCIETY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4-SO1</td>
<td>Percentage of operations with implemented local community engagement, impact assessments, and development programs</td>
<td>Pages 21–24, 26</td>
</tr>
<tr>
<td>G4-SO4</td>
<td>Communication and training on anti-corruption policies and procedures</td>
<td>Pages 26, 30</td>
</tr>
<tr>
<td><strong>SOCIAL PERFORMANCE: LABOR PRACTICES &amp; DECENT WORK</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4-LA6</td>
<td>Type of injury and rates of injury</td>
<td>Page 30</td>
</tr>
<tr>
<td>G4-LA9</td>
<td>Average hours of training per year per employee</td>
<td>Page 30</td>
</tr>
<tr>
<td><strong>SOCIAL PERFORMANCE: PRODUCT RESPONSIBILITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4-PR3</td>
<td>Type of product and service information required by the organization’s procedures for product and service information and labeling</td>
<td>Pages 10–17</td>
</tr>
<tr>
<td>G4-PR5</td>
<td>Results of surveys measuring customer satisfaction</td>
<td>Pages 24, 31</td>
</tr>
<tr>
<td><strong>STRATEGY AND ANALYSIS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4-1</td>
<td>Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization’s strategy for addressing sustainability</td>
<td>Pages 2–3</td>
</tr>
</tbody>
</table>
## ORGANIZATIONAL PROFILE

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>G4-3</td>
<td>Report the name of the organization</td>
<td>Page 4</td>
</tr>
<tr>
<td>G4-4</td>
<td>Report the primary brands, products, and services</td>
<td>Page 4</td>
</tr>
<tr>
<td>G4-5</td>
<td>Report the location of the organization's headquarters</td>
<td>Page 26</td>
</tr>
<tr>
<td>G4-6</td>
<td>Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report</td>
<td>Page 24</td>
</tr>
<tr>
<td>G4-7</td>
<td>Report the nature of ownership and legal form</td>
<td>10-K</td>
</tr>
<tr>
<td>G4-8</td>
<td>Report the markets served</td>
<td>Page 24, 10-K</td>
</tr>
<tr>
<td>G4-9</td>
<td>Report the scale of the organization</td>
<td>Pages 4, 26, 10-K</td>
</tr>
<tr>
<td>G4-10</td>
<td>Report the total number of employees</td>
<td>Page 30</td>
</tr>
<tr>
<td>G4-11</td>
<td>Report the percentage of total employees covered by collective bargaining agreements</td>
<td>Page 30</td>
</tr>
<tr>
<td>G4-13</td>
<td>Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain</td>
<td>Page 24, 10-K</td>
</tr>
<tr>
<td>G4-17</td>
<td>List all entities included in the organization's consolidated financial statements or equivalent documents and report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report</td>
<td>Page 26, 10-K</td>
</tr>
</tbody>
</table>

## REPORT PARAMETERS

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>G4-18</td>
<td>Identifies material aspects and boundaries</td>
<td>Page 1</td>
</tr>
<tr>
<td>G4-22</td>
<td>Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements</td>
<td>N/A</td>
</tr>
<tr>
<td>G4-23</td>
<td>Report significant changes from previous reporting periods in the Scope and Aspect Boundaries</td>
<td>N/A</td>
</tr>
<tr>
<td>G4-28</td>
<td>Reporting period (such as fiscal or calendar year) for information provided</td>
<td>Page 1</td>
</tr>
<tr>
<td>G4-29</td>
<td>Date of most recent previous report (if any)</td>
<td>Page 1</td>
</tr>
<tr>
<td>G4-30</td>
<td>Reporting cycle (such as annual, biennial)</td>
<td>Page 1</td>
</tr>
<tr>
<td>G4-31</td>
<td>Provide the contact point for questions regarding the report or its contents</td>
<td>Page 1</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>G4-24</td>
<td>Provide a list of stakeholder groups engaged by the organization</td>
<td>Page 26</td>
</tr>
<tr>
<td>G4-25</td>
<td>Report the basis for identification and selection of stakeholders with whom to engage</td>
<td>Page 26</td>
</tr>
<tr>
<td>G4-26</td>
<td>Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process</td>
<td>Page 26, 10-K</td>
</tr>
<tr>
<td>G4-34</td>
<td>Report the governance structure of the organization, including committees of the highest governance body, identify any committees responsible for decision-making on economic, environmental and social impacts</td>
<td>Page 26</td>
</tr>
<tr>
<td>G4-37</td>
<td>Mechanisms for providing recommendations to highest governing body</td>
<td>Page 26</td>
</tr>
<tr>
<td>G4-38</td>
<td>Board structure and independence of members</td>
<td>Page 26, 10-K</td>
</tr>
<tr>
<td>G4-39</td>
<td>Report whether the Chair of the highest governance body is also an executive officer</td>
<td>Page 26</td>
</tr>
</tbody>
</table>

For more information on our environmentally sustainable homes, visit:
kbhome.com/sustainability  kbhome.com/eDIFFERENCE

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