BUILDING FOR TOMORROW

LETTER FROM KB HOME CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, JEFFREY MEZGER

It has been said that humankind has advanced more in the last 150 years than in the previous 10,000 years—and that the pace of innovation is accelerating. Few people anticipated the fundamental societal changes that have unfolded in just the last decade. In 2008, when we published our first Sustainability Report, the iPhone was less than a year old. Today, the smartphone is an indispensable tool for daily life. In this environment of exponential change, building a home—a product that has a life span measured in decades or even centuries—that is sustainable and adaptable over the long term presents a unique challenge and opportunity.

Our lives are changing at the speed of the digital age, and our homes must too. Homes cannot be designed for just one moment in time. They must adapt and grow with their residents and work in harmony with our environment. This flexibility is at the heart of our Built on Relationships® philosophy that puts our customers and their unique needs at the center of everything we do. Likewise, we must balance the need for attainable homeownership with the desire for homes that contribute lasting value to the communities in which we build. True sustainability means balancing fundamental human aspirations today with the long-term needs and goals of tomorrow. That approach underlies our holistic, integrated eDifference® sustainability platform.

As we publish this, our 12th Annual Sustainability Report, on Earth Day 2019, it seems like only yesterday when we first put a stake in the ground for attainable sustainability in home building. Yet it is also hard to remember a time before sustainability became a vital, integral part of our business, and indeed our everyday lives.

In this report, we share with you our vision for building for tomorrow and how we are reflecting that vision in our operations today. In 2018, we built KB Home ProjeKt: Where Tomorrow Lives™, our innovations laboratory that tests far-reaching future concepts and provides an integrated, immersive experience of next-generation sustainability. With KB ProjeKt®, we have created the home of tomorrow, one that is sustainable as well as flexible, healthy and smart. These core KB ProjeKt principles are also found in the KB homes we build today, as we continuously strive to implement practices that bridge today to this exciting future of home building.

As a leading national home builder, we believe we are an important part of building a new future, one that is sustainable not only for our people and our environment, but also our communities and our economy. As our commitment to sustainability has deepened, we have also broadened our view to encompass these vital areas into our efforts, and we are pleased to share our experience in this and future reports.

To the entire KB Home team, our valued partners and all of the people who inspire us to constantly strive for a stronger future—thank you for being part of this journey toward tomorrow.
REPORT PURPOSE AND STRUCTURE: This is our 12th Annual Sustainability Report, which follows our most recent report published on Earth Day in April 2018. In this report, we discuss our accomplishments and challenges in 2018 and our priorities moving forward. 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, 2018, unless otherwise noted. Inquiries regarding our sustainability initiatives can be directed to sustainability@kbhome.com.
INNOVATING WITH PURPOSE

For more than 60 years, innovation has been at the heart of our business.

From transforming a local home builder into a Fortune 1000 American business to offering first-time home buyers the luxury of personalization, every major leap forward in our history has been about marrying an innovative idea with strong operational purpose and execution. At the heart of each of these accomplishments has been the drive to translate the dream of owning a home into a new experience.

WHAT SUSTAINABILITY MEANS TO US
At KB Home, we believe that sustainability is built on one simple idea: balance. For us, that means making sure today’s homeowners are able to create a personalized KB home that fulfills their dreams, while being mindful of the needs of the next generation. Sustaining the dream of homeownership both today and into the future is what we do every day.

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.

STAKEHOLDER GUIDANCE AND SUSTAINABILITY PRIORITIES
As sustainability has evolved over the last decade, companies are increasingly evaluating their sustainability priorities with their key stakeholders to determine what matters most to them among key environmental, social and governance issues. 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 life span, we found that our potential impact on our homes’ long-term energy usage was of greatest importance to these core 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, reflects these determinations. These priorities guide our strategic decision-making, stakeholder engagement and reporting framework.
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 home buying market, from our core first-time buyers through empty nesters moving down. Consumers could have both a sustainable home built for the future and an attainable home built to live beautifully today.

GUIDING PRINCIPLES FOR SUSTAINABILITY

We have followed a consistent set of principles since the launch of our sustainability focus in 2007. These principles continue to leverage our strengths and guide us to do well while also doing good.

- 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.
- Contribute to the well-being of the communities in which we operate.
- Be an educator for our employees, home buyers and business partners regarding home energy conservation and environmental sustainability.
- Maintain our standards of transparency and corporate citizenship by publicly reporting on the progress of and challenges to our sustainability efforts.

SUSTAINABILITY AS A BUSINESS STRATEGY

Sustainability is not just the right thing to do—it’s also right for our business. It serves as a cost reduction tool and core brand differentiator while also benefitting the environment.

- Energy-efficient homes are more affordable to operate than typical resale homes, making sustainability a compelling competitive advantage.
- Our scale and leadership creates real positive environmental impact across thousands of homes and is recognized as an advantage of buying from KB Home.
- Technology and innovation go hand in hand with sustainability, offering personal benefits for our home buyers as we increase environmental efficiency.
- Home buyers are increasingly prioritizing homes that are healthier for their occupants as well as for the environment.
- Our operational discipline and scale allow us to build sustainable homes at a lower cost than most builders and reach a wider market.
- Reducing waste reduces our cost of operations.
- Water conservation is a growing imperative for both home buyers and local governments.
- Supply chain sustainability practices add depth to our initiatives.

PAST REPORTS

We encourage you to review our previous Sustainability Reports to find out more about our consistent, long-term approach and all of the work that lies behind our 2018 sustainability results.
KB Home Sustainability Timeline

KB Home has a proud history of being a leader on sustainability in the home building industry and beyond. For nearly two decades, we have been building energy- and water-efficient homes and innovating for a more sustainable future. While not all of our efforts have become lasting aspects of the way we do business, what remains constant year in and year out is our drive to bring innovation and fresh thinking to the design of the American home.

**PRE-2007**
- Built ENERGY STAR® certified homes in many communities
- Built Water Smart homes in Las Vegas
- Offered solar photovoltaic options in California

**2007**
- Committed to utilizing 100% ENERGY STAR certified appliances
- 50,000th ENERGY STAR certified home

**2008**
- Published first annual Sustainability Report
- Committed to building 100% of our homes to ENERGY STAR certification standards
- Ranked #1 Green Builder by Calvert (also won in 2010)

**2009**
- First ENERGY STAR Award for Excellence (also won in 2010)
- Launched National Advisory Board
- GROW company-wide waste analysis

**2010**
- First WaterSense® labeled homes
- First LEED Platinum net-zero energy concept home
- First solar and energy storage integrated system demonstration home

**2011**
- Offered solar photovoltaic systems standard at select communities
- Introduced the EPG® (Energy Performance Guide®)
- Launched KB Home ZeroHouse 2.0 in six states
- First 100% LEED Platinum community
- First Department of Energy (DOE) Builders Challenge Award (also won in 2012)
- U.S. Green Building Council (USGBC) LEED for Homes Award
- First ENERGY STAR Sustained Excellence Award (also won in 2012–2018)
- First WaterSense Partner of the Year Award (also won in 2012–2014)

**2012**
- 1,000th solar-powered home
- Offered ZeroHouse 2.0 option in most markets
2016
5,000th solar-powered home
100,000th ENERGY STAR certified home
Debuted first KB ProjeKt concept home
Introduced HomeKit™ option package with Apple®

2014
First RESNET® President’s Award (also won in 2015, 2016)
Received first ENERGY STAR Partner of the Year – Climate Communicator Award (also won in 2015, 2016)
Introduced Double ZeroHouse 2.0
Introduced Double ZeroHouse 3.0
Launched eDifference™ consumer sustainability platform
Declared 5-year goal of 55 national HERS score

2017
Achieved national record for most WaterSense® labeled and Water Smart homes
Opened first Indoor airPLUS® community in San Diego
2017 TecHome Brilliance Award
2017 Environmental Leader Top Project of the Year Award

2013
Sponsored DOE Solar Decathlon
First DOE Zero Energy Ready Home, Housing Innovation Award (also won in 2014)

2015
Environmental Leader Product of the Year Award
DOE Zero Energy Ready Home, Housing Innovation Grand Award
Indoor airPLUS Leader Award
First WaterSense Sustained Excellence Award (also won in 2016–2018)
10,000th Water Smart home

2018
Achieved goal of 55 average HERS® score
7,000th solar-powered home
Launched KB Smart Home System partnership with Google
Debuted KB ProjeKt 2.0: Where Tomorrow Lives
Field-tested RESNET HERSH2O water-efficiency rating system
KB HOME SUSTAINABILITY
BY THE NUMBERS

ENERGY EFFICIENCY AND CLIMATE ACTION

#1 priority for our sustainability stakeholders

10% of U.S. new homes were ENERGY STAR certified in 2017

100% ENERGY STAR home commitment by KB Home for over a decade

128,000+ ENERGY STAR certified new homes built since 2000; 11,176 in 2018

4.5 billion pounds estimated cumulative CO2 emission reduction from these homes, plus

$730 million estimated cumulative utility bill savings

55 KB Home’s average HERS Index energy performance score by the end of 2018

7,750+ solar homes total; 1,617 in 2018

20 megawatts of solar power installed, producing an estimated 45 million kilowatt hours of renewable energy annually

KEEPING HOMEOWNERSHIP ATTAINABLE

Founded in 1957

600,000+ homes delivered

Currently operating in 38 major markets across 8 states

11,317 new KB homes delivered in 2018

- 51% First-time buyers
- 23% First move-up buyers
- 12% Second move-up buyers
- 14% Active adult buyers

$60K+ household income

2,117 sq. ft. average home size

WATER CONSERVATION

15,000+ cumulative WaterSense labeled and Water Smart homes built; 1,266 in 2018

600,000 WaterSense labeled fixtures installed

1.4 billion gallons of water estimated savings each year from these homes and fixtures

WASTE REDUCTION

72% of construction site waste diverted from landfill by our Inland Empire division

182,000 pounds of office paper recycled

26% of office supplies are “Earth Conscious”

100% retired electronics donated to nonprofit organizations or recycled through e-waste services
**SUSTAINABILITY INDUSTRY LEADERSHIP**

**ENERGY STAR Sustained Excellence Awards**
- 8 ENERGY STAR Sustained Excellence Awards through 2018 (and a ninth in 2019), more than any other home builder
- 4 WaterSense Sustained Excellence Awards, the only national home builder to receive this award
- 1 Indoor airPLUS Leader Award, the first production home builder to receive this award
- 12 Sustainability Reports FY 2007–2018
- 3 sustainability innovation lab concept homes: 2010-11, 2016, 2018-19
- 2 National Advisory Board meetings in 2018
- 10 Environmental Leadership Steering Committee meetings in 2018
- 192 sustainability performance reports to track our progress towards 2018 objectives

**WORKPLACE SAFETY**
- 2,025 employees
- 100% of employees and trade partners required to wear protective equipment at construction sites
- 315 new hire safety certifications issued in 2018
- 36 employee injuries in 2018, down from 37 in 2017

**ETHICS AND EQUITY**
- 100% of Board members and employees covered by our Ethics Policy
- 98% of employees certified on Ethics Policy standards
- 100% of our national supplier agreements include obligations to acknowledge our Ethics Policy and sustainability strategy
- 100% committed to supporting Equal Housing Opportunity

**COMMUNITY DEVELOPMENT**
- $800,000+ in funds provided to important local organizations and causes in 2018
- 1,500+ volunteer hours in 2018
- $44 million in local school fees contributed in 2018

**CUSTOMER SATISFACTION**
- 93.51% overall customer satisfaction rating in 2018
- 92.12% would recommend KB Home to a friend

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An R&D Lab for the Future of the American Home

In 2018, we conceived, designed and built KB ProjeKt: Where Tomorrow Lives to provide an immersive, full-scale experience of the future of home building and inspire home buyers and our industry to reimagine the American home. KB ProjeKt is a home designed to support the physical, emotional and financial health of its owners while also supporting the health of the environment. This innovative home debuted in conjunction with the Consumer Electronics Show® (CES) 2019 in Las Vegas, Nevada.

KB ProjeKt began with a simple operating principle: collaboration. We brought together key strategic partners from the architecture, building sciences and technology fields—many of which were behind our first KB ProjeKt home in 2016—to examine the significant social and technological shifts we’re undergoing today.

We examined demographic trends, cultural shifts, emerging technologies and industry evolutions. From the sharing economy and the wellness economy, to changing family structures and transportation as service, everything was on the table. Everywhere we look, our lives are changing. Why shouldn’t homes?

We did not start from technology; we started by focusing on people and their needs. We know a home is not a container for gadgets—it’s a vehicle for creating a lifestyle of joy, ease and satisfaction. For more than six decades, understanding people and what they want from a home has been at the heart of our business—and that’s one part of the future that won’t change.

EMERGING SIGNALS FOR A NEW KIND OF HOME

Themes and opportunities emerged from the data and macro trends. Americans spend nearly 90% of their daily lives indoors, much of that time in their homes, and the U.S. Centers for Disease Control and Prevention has concluded that physical and social environments are the largest determinants of our health.1,2 So, we asked ourselves: “What if a home could play an active role in enhancing our health and helping us live more restful, well-nourished, relaxed and satisfying lives?”

Changing household structures also demand a new approach to home design. Fewer than one in five households in America today is a traditional married couple with young children.3 Homes should meet the needs of the other 80% as well. This includes single homeowners, multigenerational families and empty nesters. Social communities, right-sizing and aging in place are all trends that are on the rise and impacting housing needs as well.

Through this work, we identified what we envision will be the priorities for our industry in building for tomorrow.

2 https://www.cdc.gov/nchhstp/socialdeterminants/faq.html
We believe four central principles will be essential components of Where Tomorrow Lives: Sustainable, Healthy, Smart, Flexible.

**SUSTAINABLE**

Sustainability is an ingrained and essential component of our vision of the future. But how we conceive of sustainability is evolving to integrate personal benefits with environmental benefits. It’s about creating a sustainable life for a home’s residents, not simply an energy-efficient home, and elevating personal wellness to the same level of operational focus that we’ve had for over a decade toward the health of the broader environment.

KB ProjeKt is an energy-independent home with a Home Energy Rating System (HERS) Index rating score of zero. Its sustainability platform integrates solar power, a Tesla® Powerwall 2 energy storage system and high-efficiency home management systems. It also utilized a technology-driven construction system inspired by manufactured durable products, offering next-generation levels of resource efficiency and quality assurance. Off-site manufacturing of building components enabled a highly efficient build, going from bare slab to ready for roofing in just 48 hours. This fully integrated off-site building process potentially offers both upstream and downstream benefits, including reduced waste, lower direct input costs due to centralized scale, construction cycle-time reductions, and increased consistency. We believe the sustainability and production efficiencies we explored in KB ProjeKt can help us make sustainable homes more attainable for home buyers.

**HEALTHY**

Two-thirds of home buyers now believe the right housing environment could cut their annual medical costs by 11% to 40%. At the same time, the wellness economy has become a $4.2 trillion market, growing at nearly twice the rate of the global economy over recent years. KB ProjeKt brought some of the ideas of the wellness economy home, reimagining it as a “health hub.”

KB ProjeKt is purpose-built to be a healthier home, with design features and construction materials guided by the U.S. Environmental Protection Agency’s (EPA) Indoor airPLUS standard. These are enhanced by the Delos™ DARWIN Home Wellness Intelligence Network, an integrated system of proprietary software, wellness algorithms and sensor technologies. Its air quality sensors intuitively recognize when air quality drops below pre-set levels and automatically trigger the air purification system to remediate air in that zone. In addition, DARWIN’s water filtration solutions remediate water quality issues at all water sources in the home. The DARWIN dashboard delivers real-time wellness data for the home and can be accessed and controlled from a smartphone app or tablet.

Inspired by the sleep revolution, which has woken us up to the importance of sleep for our health and well-being and tapped into a previously undiscovered market for high-end mattresses, KB ProjeKt utilizes dynamic circadian lighting systems to mimic natural sun patterns throughout the day and balance the sleep/wake cycle. Energizing, bright light in the morning transitions to calming, warm light in the evening to help produce melatonin.

Researchers are finding that our social communities have a strong correlation with our health. In fact, loneliness is associated with a reduction in life span as severe as smoking 15 cigarettes a day and more severe than obesity, while strong social connections can reduce the risk of cancer. To encourage the home building industry to consciously consider our role in encouraging meaningful human connection in daily life, we also designed a conceptual community of the future where connection with neighbors and friends isn’t accidental—it’s by design. A central shared hub offers community car sharing, community gardens, a community dining area for farm-to-table eating, and a pet pavilion, as well as “our yard” integrated green areas throughout the community. The KB ProjeKt connected-community design also increases both density and open space, with 31% more homesites than a traditional community design, 41% fewer roads/infrastructure and up to four times as much open, green space, which is intended to allow families to spend time outdoors and gather with friends and neighbors.
SMART
In the “everything digital” age, technology is clearly central to the home of the future. But what’s changing is that technology is no longer an end in itself or a “nice to have” feature. Today’s smart home amplifies and extends our own abilities and preferences. It’s not about a smarter home; it’s about a better life.

KB ProjeKt utilizes technology throughout the home to create a lifestyle of relative ease and efficiency, while also conserving energy and water, and reducing the use of natural resources. In its first partnership with a home builder, Google provided a flexible technology implementation for KB ProjeKt that integrated all of the devices in the home under one intuitive interface, supported by a robust whole-house Wi-Fi mesh network. All of it is supported by the voice command–activated Google Assistant™.

FLEXIBLE
The home of the future must be designed for the changing face of the American household and adapt to shifting life stages. With KB ProjeKt, we created a single home thoughtfully designed to live many different ways over its lifetime and evolve with the people who live in it. The second level is designed to easily transform into a second unit with a separate entrance, making it ideal for boomeranging adult children, aging parents, a home office or even a rental income space giving homeowners the option to downsize in place while also reducing their monthly expenses. Multipurpose spaces maximize the physical footprint of the home and make it live larger. A moveable wall changes the home’s layout at the touch of a button. Built-in furniture, including desks, fold-down beds and extended dining areas, make this transition simple.

BUILDING FOR TOMORROW, TODAY
The innovations designed and built into KB ProjeKt are not solely a vision of an idealized future—they are the result of our collaborative examination of the emerging macro trends that are already beginning to impact our lives. KB ProjeKt serves as our vision of the home of the future: a home that can support the well-being of both its residents and the environment; operate at maximum efficiency and sustain a lifestyle of efficient ease; connects people and be connected by technology; and adapt to changing technologies and lifestyles.

But in this era of accelerated innovation, we are not waiting for the future to come. We are preparing ourselves by utilizing certain of these principles in the KB homes we build today. Throughout this report, we will highlight KB ProjeKt Principles in action in our communities and homes today, as we pursue the next step in this journey toward Where Tomorrow Lives.

Learn more about KB ProjeKt and all of the insight and cutting-edge products that went into it at: www.kbhomeprojekt.com.
You can also take a video tour of KB ProjeKt to experience for yourself the seamless blend of design and sustainability and how it supports the overall health of its residents.

At KB Home, we’ve been building for tomorrow since we built our first ENERGY STAR certified new home in 2000.

Even then, we knew something that has become increasingly clear in the years since: if we are to build a future of infinite possibilities, we must find a way to better utilize our finite natural resources today.

Supporting the home we all share—our planet—is a natural extension of what we do every day as we continue to innovate for the home of the future.

Over the past dozen years since we formalized our sustainability vision and principles and began sharing our efforts in annual sustainability reports, sustainability has become an integral part of our culture and how we stand out from our peers.

**eDifference Long-Term Strategic Goals**

Educating consumers about the importance of sustainability is important to us. One key home buyer education tool is our eDifference sustainability platform, which takes a holistic and integrated approach that is focused on both homeowner and environmental benefits. Our eDifference long-term strategic goals provide a road map for us to work toward and measure our sustainability progress.

**ENERGY EFFICIENCY**

We leverage our economies of scale and position as an industry leader to increase the energy efficiency of our homes and help reduce the total cost of ownership while maintaining a focus on attainability for our core first-time and first move-up home buyers.

**WATER CONSERVATION**

We intend to continue our leadership in building water-efficient new homes using both existing and emerging technologies, and raise awareness of the energy-water nexus both with home buyers and within our industry.

**HEALTHY HOME**

We intend to increase home buyers’ awareness about existing healthier products and construction techniques, and expand our offerings of optional and standard products that contribute to wellness in order to help enhance quality of life, in addition to saving money and energy.

**SMART SYSTEMS**

We intend to take a leadership role in our industry by demonstrating and implementing intelligent efficiency capabilities and home technologies. This will help both increase resource efficiency and provide an integrated experience intended to enhance homeowners’ quality of life.

**WASTE REDUCTION**

We are monitoring, measuring and working to reduce waste from our construction operations as well as raising awareness about waste reduction within our supply chain, with a goal of reaching zero landfill waste in the long term.
ENERGY EFFICIENCY

Energy efficiency is the cornerstone of our sustainability focus for one simple reason: it is what our home buyers care about most. It’s also what matters most for our business’ impact on the environment; an EPA study found that 17% of greenhouse gas emissions in the U.S. came from people’s daily lives in their homes.8

Energy efficiency transforms sustainability into a tangible benefit, not just an ideal. The cumulative 128,000+ ENERGY STAR certified homes we have built since 2000 have saved our homeowners an estimated $730 million in utility bills. Those savings are important to keeping long-term homeownership attainable for our predominantly first-time and first move-up home buyers.

In 2008, we made an industry-first commitment to build 100% of our homes to the ENERGY STAR certification standard, and we remain one of only three national builders to do so. We are the clear industry leader, building more ENERGY STAR new homes in recent years than any other home builder. ENERGY STAR certified new homes are up to 30% more efficient than standard new homes built to code and are tested and certified by independent third-party inspectors. More information on the benefits of our ENERGY STAR certified KB homes can be found on our web site.

The 4.5 billion pounds of CO₂ emissions our ENERGY STAR certified homes have saved is equivalent to removing 420,000 cars from the road or planting 50 million trees.

2018 MILESTONE: ACHIEVED LONG-TERM TARGET 55 HERS SCORE

In 2018, we achieved our long-standing goal set in 2014 to reduce our national average HERS energy performance score for our homes to 55, down from the original 85 in 2007, when we began tracking and reporting this metric. For comparison, just one in five new homes nationwide opted to undergo the rigorous HERS testing and certification in 2017. We verify the as-built energy performance of every home we build, well beyond the minimum sampling that EPA requires to earn ENERGY STAR certification. https://www.kbhome.com/energy-efficient-homes

This 55 average score represents energy performance that is approximately 45% better than a typical home built in 2006 and up to 75% better than a home built in the 1970s.

We are not resting on this accomplishment, however; we have set a new long-term goal of reaching a national average HERS score of 50 by the end of 2023.

2018 MILESTONE: ELECTRONIC RECORD OF ENERGY RATING SCORE FOR HOMEOWNERS

We estimate the specific energy performance and potential utility cost savings of every KB home design on our proprietary EPG and share that information with home buyers to use when choosing a new home. As with MPG estimates from automakers, actual performance can vary from estimates. At the completion of construction, each KB home gets an energy rating that results in a confirmed (as-built) HERS score.

In 2018, we started providing our new KB homeowners with the individual as-built HERS score for their unique home via email wherever the HERS system is used. We are currently working to identify a similar process for California, which does not currently use the HERS system.

2018 MILESTONE: ALIGNED WITH EPA TO IMPLEMENT ENERGY STAR IMPROVEMENTS IN TEXAS AND CALIFORNIA

We were the first national builder to commit to build 100% ENERGY STAR certified new homes and have continued to take a leadership position in our industry even as EPA tightened the ENERGY STAR certification standards to add further rigor.

In mid-2018, we transitioned all of our newly permitted homes that we build in Texas and California to new versions of ENERGY STAR for New Homes, which require higher energy performance than these states’ respective energy codes. Aligning with EPA’s updates assures us that our new homes continue to be up to 30% more efficient than new homes built to standard energy codes, saving natural resources, reducing carbon emissions and making the total cost of homeownership more affordable through lower utility bills. On average, our ENERGY STAR certified homes built in 2018 can help homeowners save up to $1,400 annually on energy bills.

PROJEKT PRINCIPLE: SUSTAINABLE

Solar Innovation in the Sunbelt

Sustainability is one of the four core principles of KB ProjeKt: Where Tomorrow Lives. KB ProjeKt is energy independent and solar-powered, and includes an energy storage system.

However, energy innovation does not belong to the future. For nearly 15 years, we have been building solar-powered homes, developing operational expertise and reducing our cost to build such homes in order to be ready when solar power becomes standard. In 2018, we built 1,617 solar-powered homes in California and Arizona, with approximately 50% of our 2018 California deliveries being solar homes. California has become the first state in the nation to require solar on every new home starting in 2020, and we think our experience can be a competitive advantage.

In addition, the Tesla Powerwall 2 energy storage system is now available as an option at select Southern California locations.

To date, we have built more than 7,750 solar homes for a cumulative 20 megawatts installed. These homes are estimated to produce 45 million kilowatt hours of electrical power over an annual period, reducing CO2 by 32 million pounds, which is equivalent to removing over 6,700 cars from the roads.
WATER CONSERVATION

The conversation about water conservation has been elevated over recent years. Droughts across many of the Sunbelt regions in which we build have led to higher water costs. Water is no longer something we can take for granted. In addition, the need to balance growth with wise resource management is a consideration for local governments in approving new-home construction, making water conservation a practical business consideration.

KB Home has been at the vanguard of this challenge by balancing the need to build thoughtful water conservation into our homes today with exploration of emerging technologies that may become components of the home of tomorrow.

2018 MILESTONE: REACHED 15,000+ WATERSENSE LABELED AND WATER SMART HOMES

We were the first national builder to join EPA’s WaterSense program as well as the Southern Nevada Water Authority’s Water Smart Home program. Our early industry leadership and operational consistency in this area have made a tangible impact:

- In 2018, we delivered 1,266 WaterSense labeled and Water Smart new homes.
- Cumulatively, we have built more than 15,000 WaterSense labeled and Water Smart new homes—more than any other home builder.
- We have also installed nearly 600,000 WaterSense labeled fixtures.
- In total, these homes and fixtures are estimated to save nearly 1.4 billion gallons of water each year.

PROJEKT PRINCIPLE: SUSTAINABLE

Water Conservation and Quality Innovations

Building on KB Home’s history of supporting promising new technologies and products in water conservation, KB Projekt’s water-related advancements include a greywater recycling system and water management system.

We view our mission in part as identifying and fostering these new technologies in order to support the development of products that are market ready and can make an impact in the production-home market.

We have partnered with several companies to showcase or pilot their products in order to provide end-user feedback, as well as a builder’s perspective, so they can understand the real-world performance of their products and consider potential improvements prior to market rollout.

Greywater Recycling: In 2014, we were the first national home builder to introduce greywater technologies for reusing water into production homes. In 2018, we collaborated with Greyter™ Water Systems to develop the market for greywater systems in Colorado and are working with them now to develop the market in California, by obtaining approval from municipalities and water districts and encouraging them to offer incentives to spur adoption and help bring this technology to market. The Greyter HOME can help reduce a home’s indoor water consumption up to 25% by capturing water from showers and bathtubs, treating it and utilizing it to meet a home’s toilet flushing demands.

Water Management Systems: Since 2014, we have partnered with Phyn, Inc., makers of a residential water management system prototype, to provide support and feedback on alpha versions of their product. In 2018, the Phyn Plus system was officially launched at CES. Phyn Plus provides water usage data and alerts for unusual water activity, such as leaks or a faucet left running, via smartphone and allows homeowners to shut off the water remotely. We are currently working with them on structuring a study to quantify potential water savings when a home is equipped with Phyn Plus.

One of the best parts of my job is training our newest sales counselors on KB Home’s construction processes and how they support environmental responsibility. I love the questions it generates when I explain the construction of wall panels and trusses in a controlled environment for best quality and utilizing those resources down to the last few inches of material. I also enjoy the amazed looks I get when I tell them we test and certify every home to meet ENERGY STAR standards and conduct a Community Team Walk to ensure it is 100% complete for our customers before handing over the keys.

KB FACES: CHRIS BARROW, VP, OPERATIONS, KB HOME AUSTIN

“Training the Next Generation”

For the past several years, we have collaborated with RESNET to co-lead the development of a water-efficiency rating system for homes, along with leaders from EPA and the Natural Resources Defense Council (NRDC). This new rating system, known as HERS\textsubscript{H2O}, is intended to do for water efficiency what HERS did for energy performance: provide a consistent standard for measuring and comparing water performance nationwide and across all builders.

On February 23, 2018, the RESNET Board of Directors adopted the RESNET HERS\textsubscript{H2O} Technical Guidelines, which will serve as the technical basis for RESNET’s water efficiency rating system. Building on that, we conducted several field tests of the system at select KB Home communities in Florida, Colorado, Nevada and California. These field tests enabled us to engage our teams, as well as third-party raters and water utilities, in the application of the system in actual homes. We provided the feedback to RESNET and learned how we can potentially utilize the system to rate the water efficiency of our homes. We are not able to conduct a comprehensive pilot yet, as the system is still undergoing American National Standards Institute (ANSI) accreditation to give consumers and the industry confidence in the independent, third-party certifications and projections for the water consumption performance of individual homes. It is our goal to complete the launch of a full-scale pilot in at least one KB Home community in 2019 so we can gather enough consumer feedback and refine the rating system for a broader rollout. Provided that RESNET HERS\textsubscript{H2O} is integrated into RESNET-accredited software and there are a sufficient number of third-party raters trained to perform RESNET HERS\textsubscript{H2O} ratings, we plan to utilize the system to measure our homes’ water-efficiency performance and use that baseline to track our progress to improve that performance.
HEALTHY HOMES

As consumers increasingly realize that their own health can depend on the health of their environment, we believe that the “healthy home” concept is emerging as the next frontier in sustainable home building.

Americans spend most of our lives inside, so indoor environments can be a key factor in our health. In fact, while outdoor air pollution gets most of the attention, air contaminants can actually be up to five times worse indoors than outdoors. That is why indoor air quality is a major focus of our sustainability efforts.

We were the first national home builder to commit to using 100% low-VOC paint and carpeting more than a decade ago. Our homes also include high-performance air ventilation and filtration systems to reduce allergens and irritants while providing fresh air, despite the tightly sealed building envelope needed for energy efficiency. In addition to air quality, our “healthy home” focus includes construction details to help manage moisture and prevent mold, as well as pest barriers. They also include Kwikset® interior door hardware with Microban® antimicrobial product protection.

We were also among the first home builders to join EPA’s Indoor airPLUS program, which is designed to provide comprehensive indoor air quality protections in new homes. In 2015, KB Home received EPA’s Indoor airPLUS Leader Award, the only national home builder to be so recognized to date.

We also support community and home designs that promote healthier lifestyles and improved mental health through floorplans that bring the outdoors in, and community amenities that support recreation and connection to nature such as walking trails and recreational amenities. Select communities also feature community gardens and other health-conscious shared resources designed to promote healthier eating, exercise and greater interaction with neighbors as a part of daily life.

PROJEKT PRINCIPLE: HEALTHY

Darwin Home Wellness Intelligence Network

KB ProjeKt reflects our belief that the home of the future will play an integral part in the wellness of its residents. KB ProjeKt’s design addresses indoor air quality, water quality, stress reduction, exercise and the importance of sleep. Integrating all of this capability is the advanced DARWIN Home Wellness Intelligence Network, which made its U.S. debut at KB ProjeKt in conjunction with CES 2019.

KB Home will be the first national home builder to make this pioneering wellness system available to U.S. home buyers as an option at select KB Home communities beginning in 2019.

Using proprietary software, wellness algorithms and sensor technologies, DARWIN focuses on four main components: air filtration, water purification, dynamic circadian lighting and comfort-focused technologies. DARWIN is designed to help enhance energy, sleep and overall well-being, and reduce indoor contaminants.
PROJEKT PRINCIPLE: HEALTHY
Connecting with Nature

A 2014 study found that moving to greener areas improved people’s mental health, both immediately and in the long term. KB ProjeKt reflects this priority, creating intentionally designed interactions with nature that promote social engagement and connect homeowners to the outdoors. These include “our yard” integrated green spaces, community gardens and a community dining space, as well as a living wall for herbs and vegetables in the kitchen, an outdoor “room” for dining or entertaining, and outdoor retreats ideal for yoga or other recreation.

Creating opportunities to engage with nature in daily life is an important principle of our community designs today. Our home designs emphasize natural light and indoor/outdoor flow, with many featuring outdoor living areas. Walking and biking trails are a common feature in our community designs and we are seeing greater interest in community gardens and other ways to connect with nature and neighbors at the same time.

Examples of this include:

• The Patterson Ranch master plan in Fremont, California, where we built several communities, reflects the agricultural history of the land with community orchards, vegetable gardens, a barn and an urban farmhouse. The urban farm utilizes organic materials, planting and growing practices.

• In Tucson, our Shadow Glen community is part of the Gladden Farms master plan, which offers a large demonstration garden as a place to learn first-hand about suburban farming and the local agricultural history. There is also a heritage farm with community garden plots available for rent as part of the master plan. Residents and their families can spend time outdoors, meet their neighbors, and benefit from healthier diets using fresh produce grown at the farm. The community also includes open space, miles of paved walking trails, parks and sports fields.

• In Austin, we are currently building Piney Creek Bend, a community designed around a creek that runs along the property. We are preserving the native ecosystem around the creek and designing trails for residents to enjoy the natural beauty.

• Creating opportunities to engage with nature in daily life is an important principle of our community designs today. Walking and biking trails are a common feature and we are seeing greater interest in community gardens and other ways to connect with nature and neighbors at the same time. We also often choose to build in master plans where the developers have been mindful of preserving and celebrating nature in the overall design.

KB FACES: ALIA JONES, VICE PRESIDENT OF SALES, MARKETING & STUDIO, KB HOME TUCSON

“eDifference makes a difference for our customers”

In my tenure at KB Home I have been privileged to see over 9,000 customers become homeowners. It’s rewarding to me to help deliver the dream of homeownership, while knowing that we are also supporting a lighter environmental footprint. I’m proud to be a part of an organization that continues to innovate new product and raise the bar on energy efficiency. Our proprietary Energy Performance Guide provides our customers with predictable and practical energy costs prior to purchasing and allows them the opportunity to put those energy savings back in their pocket to enjoy doing the things they love most. I am thankful to be a part of the KB vision for the future each and every day.
SMART SYSTEMS

We view Smart Systems as more than home automation—we’ve expanded the term to include connected energy and water management systems, as well as smart energy storage systems.

We focus on technology that creates a flexible relationship between the homeowners and their homes. Home buyers today want to be able to operate their homes from wherever they are and not just have the technology respond to their needs, but also adapt to their individual lifestyles. We believe sustainability is in part about what our homes can provide in terms of increased quality of life, in addition to saving home buyers money and energy.

We collaborate with our home buyers to determine, among other things, their individual technology requirements and identify the best products to meet their needs. For some, that means a top-of-the-line, full-spectrum technology suite, while others opt for simplicity and flexibility for the long term. Adding smart systems to the home during initial construction is significantly more affordable than installing them afterward and offers a competitive advantage to resale homes. Homeowners can also add freestanding Internet of things (IoT) devices that can be updated as technology trends shift.

“The fast-changing world of smart home technology and IoT devices, we see our role as curators, selecting products that we believe offer long-term personal value.”

— Dan Bridleman, KB Home Senior Vice President, Sustainability, Technology & Strategic Sourcing

PROJEKT PRINCIPLE: SMART

A Home That Makes Your Life More Sustainable

KB ProjeKt endeavored to deliver cutting-edge technology and an intuitive experience of convenience, comfort and connectivity, intended to make daily life easier and more efficient for the homeowner. The foundation was a technology platform designed and delivered by Google.

Now, KB home buyers can select smart Whirlpool® appliances that add connectivity and intuitive assistance to their already long list of features, not the least of which is energy efficiency and ENERGY STAR certification. For example, Whirlpool connected ovens have a “scan-to-cook” feature that perfectly cooks a meal and saves energy at the same time. The oven can also interact with the homeowner directly or via Google Assistant.

KB FACES: MINJI NAM, SALES COUNSELOR, KB HOME DENVER

“I am the matchmaker to your happy place”

My favorite part of my job is meeting amazing people with honest stories and helping them search for their next sanctuary. Because, if you strip down the meaning of “home,” it’s a place where you go to feel safe and be 100% yourself. That’s my mission when we meet: I am the matchmaker to your happy place!
■ 2018 MILESTONE: LAUNCHED KB SMART HOME SYSTEM INDUSTRY-FIRST PARTNERSHIP WITH GOOGLE

KB home buyers in select areas can experience technology-driven efficiency with the launch of the KB Smart Home System powered by Google Assistant. This is Google’s first partnership with a national home builder. The KB Smart Home System is included in new homes at select KB Home communities across the country.

Powered by Google Assistant, the KB Smart Home System provides a robust ecosystem for KB homeowners to control the functionality of their smart home features, automate routines to their individual preferences and live more comfortably in their new homes. The system features cutting-edge products and is designed to accommodate additional emerging technologies as they come to market. Components include:

- Google Wifi “mesh” network that is designed to deliver consistently strong and secure signal throughout the home
- Two smart speakers, including a Google Home, and a Google Home Mini, with voice control and automation by the Google Assistant
- Nest Hello video doorbell
- Professional installation and integration of all devices by DISH Smart Home Services® after move-in

As we gather customer response from these initial deployments, we plan to refine the system and offering in preparation for a wider rollout.
ENHANCING OUR OPERATIONS

In addition to the consumer-facing sustainability efforts of our eDifference sustainability 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. We have identified several key initiatives in this area: reducing waste in our operations, leveraging our supply chain, improving product sourcing practices, and tracking model home energy and water usage.

WASTE REDUCTION

We are committed to driving out as much waste from our operations as possible, with a long-term goal of significantly reducing or eliminating our landfill waste. We aim to elevate the conversation about waste reduction and challenge our industry to innovate in this area.

Reaching this goal involves reducing the construction site waste that results from home construction operations and identify a recycling stream for the smaller volume of waste. We are achieving good results in our California operations. For example, our Inland Empire division diverted 72% of its construction site waste to recycling facilities in 2018. In addition, the division has begun implementing off-site construction of framing components in a controlled environment with greater quality and precision, resulting in an estimated 13% reduction in material waste. This work is giving us key operational knowledge in preparation for wider rollout to support our long-term goal.

We have a long-standing office waste reduction program called GROW, which stands for Get Rid of Waste. In the past two years we have been reducing the amount of paper used in our offices by transitioning to digital signatures and streamlining documents to require less paper. For the processes that do continue to require paper usage, we have recycling in place, and in 2018 we recycled more than 180,000 pounds of paper.

LEVERAGING OUR SUPPLY CHAIN

Our homes are as sustainable as the materials and processes that go into them, which is why we select our strategic partners based in part on a shared commitment to conserving natural resources. We also view collaboration with our partners as an effective multiplier and extension of our own sustainability initiatives, sparking innovations that can be greater than any of us can generate on our own.

Each fall, we bring together our partners nationwide for our National Strategic Supplier Conference, a two-day collaboration, brainstorming and planning session. This conference has generated many of the innovative practices we have implemented over the last decade of our sustainability focus. In 2018, we recognized Carrier®, Sherwin-Williams and Whirlpool for their 20+ years of partnership with KB Home.

PRODUCT-SOURCING CERTIFICATIONS

We seek out products that provide independent sustainability assessment, like the Cradle to Cradle Certified™ Products 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, including our flooring partner, Shaw®; our solar panel partner, SunPower®; and our paint partner, Sherwin-Williams®.

We also require 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 program. We took this early leadership position in our industry more than a decade ago. We have also been a public proponent for the preservation of old-growth national forests in partnership with the NRDC.

MODEL HOME ENERGY AND WATER TRACKING

On any given day, we operate over 500 model homes across 38 markets in the U.S. We track the energy use at these ENERGY STAR certified model homes, along with office space that we lease, to estimate and reduce our operational carbon footprint.

The energy-efficiency rating for our homes has improved from a HERS score of 85 to a score of 55 in the span of 11 years (30% more energy efficient than the model homes we operated in 2007). We plan to continue to track and optimize our model home energy consumption, with the goal to increase their energy efficiency by another 5% by the end of 2023.

Based on a sample, we estimate that in 2018 we used approximately 62 million gallons of water in our model homes. Since the model homes that we operate are not occupied, their water usage is 50% to 80% less than similar occupied water-efficient homes. For example, for June 2018, at a KB Home community in Irvine, California, the local water district defined the water budget for our model home at 327 gallons per day, but since the model home only uses water for landscape irrigation, the actual water use was 70 gallons per day. Where available, we use reclaimed water for landscape irrigation, and are continually looking for ways to reduce our use of water, as well as help our customers use less water.
SUSTAINABILITY STORY:
Reducing Waste by Repurposing “Heritage Materials”

Many of our communities are built on land once used for other purposes, particularly where we are building in infill locations. Rather than discarding all of the materials from existing structures or even recycling them, we look for creative ways to repurpose these materials. This approach reduces waste and often gives us an opportunity to pay homage to the character and history of the areas in which we build.

- Our Monte Vista community in San Jose, California remains one of our best examples of appreciating and preserving site history. Started in 2007, Monte Vista consists of 380 townhomes and condominiums built on the site of the historic Del Monte Cannery #3. Working closely with History San José, a local historical organization, we invested more than $1 million on preservation efforts. Projects included saving the landmark 160-foot, 5,000-gallon Del Monte water tower, some of the original cement cannery walls, a section of the conveyor belt system—now used as a gateway feature to the community—and a section of the original “saw-tooth” roof to be used as the roof of the on-site light-rail station. We also invited preservation groups to the cannery to salvage antique fixtures and furniture.

- In San Francisco, our 72 Townsend condominium community is located on the site of the historic Hooper’s Grain House. When we began clearing the original structure, we discovered beautiful 100-year-old redwood and fir beams and trusses. We salvaged as much as we could and hired an artisan to create beautiful furniture from the salvaged wood for the building lobby, thereby both reducing waste and celebrating the history of the place.

KB FACES: CAROLINA GABRIEL, SALES COUNSELOR, KB HOME SOUTH BAY

“Key day is the best day!”

It’s a day full of happy tears and hugs after all the hard work to get our homeowners there. Watching them take their first steps into their new home is an amazing feeling. It’s the start of a lifetime of gathering family and friends in their new home and creating new memories.
ENVISIONING THE KB HOME OF 2025

As we build for tomorrow, we believe it’s important to have a clear vision for where we are headed and what it will look like when we get there. That’s why we’ve established a set of targets for 2025 that we believe will define the future of American home building.
We believe the KB home of 2025 will:

- Achieve a national average HERS score of 50 or better, a target we plan to reach by the end of 2023.
- Achieve a national average HERSH2O score of 60, and demonstrate the power of water savings to home buyers.
- Meaningfully contribute to the health of its residents with safer built-in air and water features.
- Utilize technology intended to create a seamless collaboration between the home and its residents, adapting and personalizing its performance to their lifestyle.
- Avoid creating landfill waste in its construction.
As sustainability has become an ingrained part of how we operate, we are taking a broader view that embraces social and economic sustainability in addition to our long-standing focus on environmental sustainability. We believe that we are in the business of building communities, not just houses.

As a home builder, we see our product as the foundation of social, family and community life. We design and create neighborhoods where families can put down roots and which can mature into communities that thrive in the long term. We are also increasingly conscious of incorporating opportunities for human connection, community involvement and engagement with nature in our homes and neighborhoods, as researchers have discovered a strong correlation between these activities and our mental and physical health.

We believe that to be a sustainable company involves more than providing a “green” product or social awareness. It means being economically sustainable as well, a business that can weather financial conditions over the long term, innovate to meet emerging customer needs and deliver an exceptional customer experience. It means building a business that help support the people and places that depend on it, from our employees and stockholders to trade partners and local communities. It means being an engaged corporate citizen of the larger places in which we operate: the cities and regions in which we live, work and build. And it means being mindful citizens of the home we all share, our planet.
PROJEKT PRINCIPLE: HEALTHY

Communities Designed to Foster Human Connection

In our age of always-on digital connection, researchers are finding that social isolation is actually increasing.\(^{10}\) Our KB ProjeKt virtual community addresses this trend with a design that fosters organic social interactions and emphasizes shared community resources, including a car-sharing area, “our yard” neighborhood green spaces, a community garden and dining area, a pet-grooming pavilion and more.

While this virtual community is a vision of the future, we are increasingly looking for ways to integrate human connection into our community designs. Examples include:

- **Townhomes in the Bay Area** are typically designed with rear garages to create a streetscape that encourages impromptu socializing with neighbors. Residents can enjoy the spacious front porches with family or engage with nature on the community walking paths.
- **Inspirada**, a leading master plan in Las Vegas, offers numerous community-building events, from farmers markets to movie nights and yoga classes, that encourage homeowners to come together to relax, connect and recharge.
- **Patterson Ranch**, a master plan in Northern Californian, includes an urban farmhouse that has become a neighborhood hub. It contains the community’s mail center and also serves as the neighborhood school bus pick-up and drop-off location. Every morning and afternoon, parents, grandparents and caregivers congregate at the farmhouse to send their children off to school and to collect mail and deliveries, creating the kind of neighborly interactions on which true community is built.
- **We have several communities within Stapleton**, a pedestrian friendly, mixed-use master plan in Denver, Colorado with a thriving social and recreational environment featuring bike races, farmers markets and concerts in the park.
- **We chose to build within the new Terramor master plan in Corona, California** in part because of its unique focus on a healthy and community-oriented lifestyle. Terramor has preserved 540 acres of open space, including a natural riparian habitat. Within the community, there are over five miles of trails that connect to a network of adjacent regional trails. Additionally, the 22 acres of parkland promote an active lifestyle.

SUSTAINABILITY STORY:

A Sense of Place

Land is a precious resource in our business. We carefully seek out what we believe are the best places to put down roots for a community. The land on which we build our homes also has a history. Whether it’s a landmark, unusual natural feature or legacy structure that harkens back to an earlier era, we seek out opportunities to honor what makes the land unique and foster a sense of place in the communities we build.

Some examples include:

- Our Mountain Vail Preserve community in Tucson is located on an old Southern Pacific railroad alignment. We incorporated the old railroad bed into the community design, installing a pathway along the bed and partnering with a local preservation society to create kiosks along the trail with information about the railroad’s historical significance to the Tucson area. The path serves as a pedestrian connection between the local school and neighboring homes and parks, as well as a connection to the area’s history.

- The previously undeveloped land on which Saguaro Station in Tucson is built featured many native desert plants and hundreds of saguaro cacti, a treasured local species. To preserve this native beauty, we designed the community to retain all saguaros over six feet, either leaving them in place or relocating them to open space common areas within the community. In addition, we partnered with the Tucson Cactus and Succulent Society to remove and donate additional native desert plants and smaller saguaros, preserving 1,100 plants and 267 saguaros and promoting environmental sustainability within the Tucson region.

- At our Riverton community in the Bay Area, the surrounding Wallis Ranch master plan features a custom metalwork entry gate and decoratively crafted outdoor panels and benches designed by local artist Eric Powell. The designs reflect the branches and curves of the surrounding landscape, as well as horseshoes, gears and nails that evoke the area’s history.

- Our Towne Center community in Lafayette, California incorporates exterior art installations by local artisans and a monument structure paying homage to the area’s forestry past.

SUSTAINABILITY STORY:

Public Transit Friendly Communities

Public transit friendly communities aren’t just good for the environment—they create potential social connections as well. They also tend to be located in more established areas with local shops, businesses and restaurants that thrive on the support of these commuters and offer a live/work/play lifestyle that many home buyers desire. A number of our California divisions include transit friendly communities:

- Apex at Berryessa Crossing in San Jose, a townhome community located across the street from the Berryessa Bay Area Rapid Transit (BART) station, scheduled to open in 2019.

- Lucente in Milpitas, a townhome community located across the street from a BART station.

- Towne Center in Lafayette, a condominium development, offers a walking trail to the neighborhood BART station.

- The Residences at Wheeler Plaza in San Carlos, a condominium development opening in Spring 2019, is located two blocks from a Caltrain® station.

- The District at Lower Pacific Heights in San Francisco is a mid-rise condominium development within walking distance to the city’s Muni system and cable cars.

- In the Los Angeles area, our Brezza community in Chatsworth and Brighton community in Van Nuys are each less than 1.5 miles from Metrolink stations that offer convenient and efficient commuting to Burbank, downtown Los Angeles and other employment centers.

- Our San Diego area community, Sierra, is located about 1.5 miles from the SPRINTER, a hybrid county rail train offering a commute alternative to congested highways.
KB Cares and Community Service

In 2016, we launched our KB Cares initiative to unify our philanthropic efforts and help amplify our social impact. With a special focus on supporting causes in the areas of housing and shelter, women, children and sustainability, and in collaboration with our team of passionate employees and builder partners, the KB Cares program supports local charitable organizations that serve their community's most vulnerable populations. By working to effect change in the areas in which we live, work and build homes, we believe we can build stronger relationships with external stakeholders and business partners, and demonstrate our commitment to sustainable business practices and good corporate citizenship.

In total, our 2018 efforts are estimated to have provided more than $800,000 in funds and over 1,500 volunteer hours to important local organizations and causes. Highlights from 2018 outreach include:

- Since 2017, we have teamed up with Sherwin-Williams on their annual National Painting Week Initiative. Our KB Cares representatives work with their local Sherwin-Williams representatives to identify an area or organization in the community in need of a fresh coat of paint, then send a team of volunteers to provide some elbow grease! Beneficiaries include community centers, neighborhood schools, and local charitable organizations. **2018 Results: 16 divisions, 149 volunteers, 353 volunteer hours.**

- Our divisions frequently sponsor or organize local charity golf tournaments to benefit community organizations. Several of these relationships have become long-standing community partnerships. For example, our Jacksonville division teamed up with Dreams Come True for their 17th annual golf tournament in 2018, raising $250,000 this year and over $2 million since it began in 2002. Our Inland Empire division recently held their 13th annual golf tournament for the Riverside University Health System, which supports medical and health services throughout Riverside County. In 2018, the event raised $129,085 and more than $1 million has been raised since its inception. Our Austin division was a title sponsor for the NFL Alumni Golf Classic to benefit the Center for Child Protection in 2018. In addition, this year our Los Angeles Ventura division raised $122,000 for Homes 4 Families. **2018 Results: 6 divisions, 82 volunteers, $540,085 raised.**

- In support of National School Success Month, our KB Cares teams across the country worked to support students in their communities through donations of school supplies, books, and computers. Beneficiaries included Title 1 schools, children's centers and local charitable organizations, and touched the lives of many while supporting education in our communities. **2018 Results: 12 divisions, 227 volunteers, $31,140 estimated donation value.**

- In California, our KB Cares teams took on projects to support wildfire mitigation and recovery efforts. In response to the Woolsey Fire, our Los Angeles/Ventura and Corporate Architecture teams are providing architectural home plans from our library to homeowners in the City of Calabasas who lost their homes to assist in the initial phases of their journey to rebuild. Our Central California team made a donation of gift cards and essential goods to those affected by the Camp Fire, and volunteers from our Southern California region gathered in recognition of Earth Day 2018 to volunteer for a mountain restoration and invasive species eradication project in conjunction with TreePeople, a Los Angeles–based nonprofit. Invasive species eradication efforts are integral to reducing wildfire fuel sources and encouraging a healthier ecosystem. **2018 Results: 5 divisions, 24 volunteers, estimated $8,500 donation value.**

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 provide both valuable support for critical community resources and bring our team tremendous satisfaction and foster closer working relationships.
KB FACES: SHEILA FLYNN, STUDIO DIRECTOR, KB HOME JACKSONVILLE

“No two homes are ever the same!”

I love the creativity of my job. Helping people to create the home of their dreams and seeing everything come together just the way they want — it makes me feel good when I come to work. KB Home is always looking for ways to improve and move forward, backed up by the security and stability of over 60 years of building homes, so home buyers know they can count on us.

PROJEKT PRINCIPLE: FLEXIBLE
Flexible Homes Designed for Generations to Come

An essential principle of KB ProjeKt is flexibility, whether at the macro level of addressing demographic shifts and changes in household makeup, or at the micro level of homes that can adapt throughout any given day to serve multiple purposes in a highly efficient space.

We believe that part of social sustainability is evolving our home designs to serve the new American household, only 20% of which is made up of nuclear families today. Single home buyers are on the rise. Adult children often return home for a time. Older family members may live with their adult children for at least part of the year. More and more buyers are choosing to age in place rather than move to age-restricted living. Families are changing and are looking for homes that adapt with them.

We track demographic shifts in our markets and look for opportunities to offer home designs that flex for many different needs. A few examples include:

- At our Communications Hill community in San Jose, select home designs include downstairs living suites with optional kitchenettes, adaptable design and wall-to-wall accordion doors that allow for expanded square footage through outdoor living. Townhomes in the community have downstairs bedrooms with separate entrances, ideal for a home office or multigenerational living.
- In Colorado, many of our home designs offer the option of a finished basement with a living area, bedroom and bath separate from the rest of the household.
- Nationwide, our homes are designed for flexibility and personalization opportunities, with many of our home designs offering room conversion and other structural options that allow home buyers to configure their home to their needs. This flexibility is an important component of our Built on Relationships approach and also allows for additional personalization at our KB Home Studios. Structural options can include converting a den to a first-floor bedroom to support multigenerational living, older family members with mobility issues, or aging in place.
**SUSTAINABILITY STORY:**

Infill and Revitalization

One way we can minimize the impact of our homes on the natural environment while also supporting strong social communities is by building neighborhoods at infill locations. These locations repurpose land previously developed for other uses in established urban or suburban areas. With infill communities, we also often partner with local governments or community organizations to help bring vibrancy to areas that may not have had new construction in some time and revitalize surrounding areas in the process.

The sustainability benefits of building in infill locations can include:

- Reducing development of open green space and employing the central sustainability principle of reuse.
- Proximity to employment centers and public transportation, which can shorten commutes, reducing emissions and offering the social benefit of additional time and less stress for homeowners.
- Bringing an influx of economic development to older neighborhoods in the form of jobs, additional tax revenue and new customers for local businesses.
- Enhancing social structures with new, community-oriented neighborhoods designed to foster neighborly relationships.
- Offering longtime residents and those with family ties in the area an opportunity to move up to a new home in the neighborhood they love.
- Causing people to rethink overlooked areas and putting them back on the map by bringing positive development to the attention of local media, real estate agents and home buyers.
- Contributing to social and physical infrastructure in the form of new parks, playgrounds, community beautification projects, walking trails and more.

**COMMUNITY SPOTLIGHT:**

**Desert Mesa in North Las Vegas**

This land was originally purchased for new-home development over 20 years ago, but when the local economy experienced a downturn, construction was halted and the community was left partially built. After other groups were unable to develop the land, we took the opportunity to utilize our deep understanding of consumers and the efficiencies of our operational business model to design and build beautiful new homes at attainable prices that could contribute to the growth of the local community.

Desert Mesa opened in January 2018, with a total of 126 homes on spacious homesites ranging from 6,000 to 11,584 square feet. These large homesites offered backyards much larger than local resale homes or other new-home options.

As part of the development of Desert Mesa, we assisted with structural and cosmetic improvements to a local convenience market located along the perimeter of the community. We worked with the store’s owner to reroof and repaint the store and resurface the parking lot, as well as provided supplemental matching funds for additional improvements.

Desert Mesa has had strong response from home buyers. In addition to drawing home buyers from across the Las Vegas area seeking affordable new homes, we have appreciated that a number of buyers with local family and community ties have chosen to put down roots at Desert Mesa and revive the area.

**COMMUNITY SPOTLIGHT:**

**Edgemont in Compton, California**

The City of Compton may be best known as the hometown of Los Angeles music legends, but Compton also has a proud history as a bedroom community in the heart of Los Angeles where working-class families of every background could attain the dream of homeownership and raise their families. In 2018, we were pleased to open the first new-home development in Compton in a decade, Edgemont, with a total of 62 new homes.

Edgemont is built on the site of a former drive-in movie theater and adjacent to the central business district. The two-story homes feature distinctive exterior designs, master suites and spacious great rooms. Plans also include a two-story clubhouse with a kitchenette, gym, pool table, basketball court, outdoor patio and playground, where community residents will be able to gather.

In assessing the land prior to purchasing it, we identified a strong regional location with a clear demand for new housing and a deep sense of community pride. We worked closely with City of Compton government officials to offer home designs that reflected a high design standard and beautiful exteriors. Edgemont is also designed to foster a “community within a community” feel, with front porches and walkways between homes that create a sense of place and neighborhood.

The community opened in Fall 2018, and as of March 2019, has already sold close to 25% of the total homes. We are particularly pleased that a number of our new homeowners are locals who appreciate the opportunity to buy a brand-new home in their community. This demonstrates to us that we are achieving what we set out to do: create attainable homeownership opportunities that can make a positive impact on the life of the local community.
“We are happy to partner with KB Home as they bring attainable new homeownership opportunities to the City of Compton. These new homes represent meaningful growth and redevelopment in an area where home buyers want to live and call home.”

— Isaac Galvan
Compton City Council Member

“KB FACES: ZACK PATE, DIRECTOR OF PURCHASING, KB HOME INLAND EMPIRE

“It’s more than just a job”

When we lace up our boots and go to work, we take pride in the relationships we build. From trade partners to city officials to helping home buyers make their dreams come true, we truly care about creating a quality experience and a quality new home. Our sustainability focus and waste reduction focus reduces the typical waste in construction while making homeownership more affordable. And our team makes you feel like you’re at home before the home is even built. There’s no other builder out there that does what we do. That’s why I’m not only a KB Home employee; I’m a KB homeowner.
Being a sustainable business also means meeting the needs of our stakeholders to create a successful product in the marketplace and establishing a platform for long-term financial growth.

It means contributing to a healthy and thriving economy at both the local and national levels by creating value for our stockholders, meaningful work for our employees, strong trade partnerships, and being active members of the social, economic and geographic communities in which we operate.

INVESTING IN OUR 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 2018, we contributed nearly $44 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 highly energy-efficient homes makes an incremental positive impact on the overall sustainability of these communities.

DEDICATED FOCUS ON OUR CUSTOMERS

At the core of our dynamic operational business model is a focus on our customers. It starts with our extensive proprietary survey process, in which we ask thousands of recent home buyers in every one of our markets what they feel is 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 and home designs to what features to include or offer as options. This is the foundation of our Built on Relationships philosophy 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 2018 30-day post-purchase satisfaction rating from homeowners was 93.51%, and 92.12% of our homeowners said they would recommend KB Home to a friend.
TRADE PARTNERS

Our trade partners are more than suppliers—they are collaborators invested in our growth and long-term success. Collaboration with these core partners is the engine for innovation that drove our KB ProjeKt concept homes in 2016 and 2019. Marshaling their experience, expertise and creativity is among our strongest business assets. They are also our partners in jobsite safety and waste management. We are continually working with them on improvements.

ECONOMIC RESILIENCY

Economic sustainability is grounded in a resilient business platform that generates growth. As a home builder serving primarily the first-time, first move-up and active-adult buyer segments, effectively balancing affordability with the features and products that can add to the cost of a home. Our Built on Relationships 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.

We are geographically diversified to mitigate the impact of individual market variations, building in 38 markets across the U.S. In 2018, we delivered 11,317 homes nationwide with revenues of $4,547,002 (in thousands). We are publicly traded on the NYSE under the ticker symbol KBH. In our more than 60-year history, we have built over 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 on Form 10-K for the fiscal year ended November 30, 2018.

In addition to the direct economic impact of our business for our employees and stockholders, the home building 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®. 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.

NATIONAL ADVISORY BOARD

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 home building industry. They ask perceptive questions, challenge our thinking and help make us a better organization in the process. Our NAB meets twice a year, with the participation of our Chairman of the Board and senior executive for sustainability, and its members also consult with us from time to time throughout the year.

2018 NATIONAL ADVISORY BOARD MEMBERS

<table>
<thead>
<tr>
<th>Name</th>
<th>Title and Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>JACOB ATALLA</td>
<td>Vice President, Innovation and Sustainability, KB Home</td>
</tr>
<tr>
<td>DAN BRIDLEMAN</td>
<td>Senior Vice President, Sustainability, Technology &amp; Strategic Sourcing, KB Home</td>
</tr>
<tr>
<td>PROFESSOR MAGALI DELMAS</td>
<td>Professor of Management, Institute of the Environment and Sustainability, Anderson School of Management, UCLA</td>
</tr>
<tr>
<td>DR. JONATHAN FINK</td>
<td>Director, Digital City Testbed Center, Portland State University</td>
</tr>
<tr>
<td>AMY GLAD</td>
<td>Land Development Consultant</td>
</tr>
<tr>
<td>LARRY GOTLIEB</td>
<td>Senior Executive, Government and Public Affairs, KB Home</td>
</tr>
<tr>
<td>PETER HARKNESS</td>
<td>Former Group Publisher, Governing, Senior Policy Advisor, Pew Center on the States</td>
</tr>
<tr>
<td>SHEILA HOLLIS, ESQ.</td>
<td>Partner, Duane Morris LLP</td>
</tr>
<tr>
<td>ANNE KELLY</td>
<td>Senior Program Director, Policy and BICEP Program, CERES</td>
</tr>
<tr>
<td>NANCY LEAMOND</td>
<td>Executive Vice President for Social Impact, AARP</td>
</tr>
<tr>
<td>MATT MANDINO</td>
<td>Executive Vice President and Chief Operating Officer, KB Home</td>
</tr>
<tr>
<td>JEFF MEZGER</td>
<td>Charman, President and Chief Executive Officer, KB Home</td>
</tr>
<tr>
<td>LOU MORET</td>
<td>Former CalPERS Board Member</td>
</tr>
<tr>
<td>ANDRE PETTIGREW</td>
<td>Director, Office of Economic and Workforce Development, City of Durham</td>
</tr>
<tr>
<td>TIM SMITH</td>
<td>Principal – AIA, AICP, SERA Architects, Inc.</td>
</tr>
</tbody>
</table>

“Constant Evolution on a Large Scale”

Over the past ten years, it’s been exciting to see KB Home expand its forward-thinking sustainable innovations from saving energy to conserving water to building communities to now integrating “smart” digital controls. And this is all at a scale that is unrivaled in the industry, allowing it to make a real impact.
Our People

Built on Relationships is more than a marketing slogan; it’s the way we do business. This includes the relationships we build internally with our people—our dedicated employee team—who personify our brand.

KB Home has long enjoyed a reputation for attracting and retaining the best and brightest talent in our industry and beyond. We strive to create an environment that offers our employees satisfying work, with meaningful opportunities for career growth and development. Numerous team members have built three and four decade-long careers with KB Home, and more than 400 of our current team members have been with us for 10 years or more—a testament to both their and our ability to forge long-term, mutually beneficial relationships.

We are committed to diversity and inclusion and believe in the benefits of including a variety of individual perspectives and backgrounds within our organization. The neighborhoods that we build and the communities that we serve are tremendously diverse, and our team reflects similar diversity. We are equally committed to training and development for all of our team members. KB Home was one of the first major home builders to create an online training system to support our employees from coast to coast. Through this system, bolstered by traditional, classroom-based training, we develop our team members in their functional areas of responsibility, in personal effectiveness and leadership topics, and in numerous areas that support both their professional and personal growth.

We also believe that KB Home's position as an industry leader in innovation and sustainability supports our ability to both attract and retain high-caliber individuals—people who are dedicated to leading the future of our industry.

2018 Awards and Recognition

In 2018, 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 eighth year in a row.

- WaterSense Sustained Excellence Award, EPA’s highest possible distinction for water efficiency. The only home builder to be recognized in 2018, KB Home has won four consecutive WaterSense Sustained Excellence awards, following four consecutive years as Builder Partner of the Year.

- Twenty 2018 ENERGY STAR Certified Homes Market Leader Awards, encompassing all of our major markets nationwide in 2018 and more than any other home builder.

Social Sustainability Story:
Keeping Homeownership Attainable

Making homeownership attainable is at the core of what we have done for more than 60 years.

We strive to make homeownership attainable for working families in the areas in which we build, particularly for those men and women who support the functioning of healthy, safe communities, like teachers, police officers, firefighters, public sector employees and members of the military. We believe this dedication contributes to making an entire community stronger.

As a builder focused on helping people to achieve the dream of first-time homeownership, we are also proud to support Equal Housing Opportunity and to welcome new homeowners of every background and experience.
**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 oversees the management of our business to help assure that our stockholders’ long-term interests are being served. Other than our Chairman, President and Chief Executive Officer, all Board members who served during our 2018 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](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., 7th Floor, 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 home buyers
- 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 on page 37.

**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 home building 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.

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 2018, the KB Home American Dream Political Action Committee contributed $2,500 to a candidate for Congressional office. This contribution was reported to the Federal Election Commission and can be found on its website at [www.fec.gov](http://www.fec.gov).

In 2018, we contributed $629,175 related 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.sos.ca.gov](http://www.sos.ca.gov).
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 on page 37, 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, led by our Chief Operating Officer and senior vice president for sustainability, 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 (scope 2) since the release of our inaugural 2007 Sustainability Report. In 2009, we significantly expanded our methodology for capturing and reporting this data (explained in detail in our 2009 Sustainability Report), and we intend to continue to report on it as a normal course of business.
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 more than 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>
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</thead>
<tbody>
<tr>
<td>TOTAL # OF HOMES DELIVERED</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>
<td>11,317</td>
</tr>
<tr>
<td>ENERGY EFFICIENCY</td>
<td>7,467</td>
<td>4,736</td>
<td>5,258</td>
<td>6,631</td>
<td>5,677</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>
<td>11,176</td>
</tr>
<tr>
<td># of ENERGY STAR® certified homes delivered</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>% of total homes delivered that were ENERGY STAR certified</td>
<td>31%</td>
<td>38%</td>
<td>62%</td>
<td>90%</td>
<td>98%</td>
<td>99%</td>
<td>99%</td>
<td>99%</td>
<td>99%</td>
<td>99%</td>
<td>98%</td>
<td>99%</td>
</tr>
<tr>
<td>% of KB Home divisions building at least some homes to ENERGY STAR specifications</td>
<td>83%</td>
<td>91%</td>
<td>100%</td>
<td>100%</td>
<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>9,695</td>
<td>9,789</td>
<td>11,181</td>
<td>13,261</td>
<td>15,276</td>
<td>15,960</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>91.90%</td>
<td>92.50%</td>
<td>93.10%</td>
<td>92.80%</td>
<td>91.50%</td>
<td>91%</td>
<td>91%</td>
<td>89%</td>
<td>89%</td>
</tr>
</tbody>
</table>

WATER CONSERVATION

| # of KB homes built to EPA's new WaterSense® specifications | N/A | N/A | N/A | 11 | 97 | 85 | 61 | 96 | 233 | 265 | 170 | 134 |
| # of Water Smart homes built | 1,964 | 881 | 393 | 521 | 412 | 438 | 503 | 400 | 589 | 807 | 854 | 1,132 |
| # of EPA WaterSense labeled fixtures installed in KB homes | N/A | 154 | 15,189 | 19,096 | 18,240 | 22,500 | 23,500 | 23,800 | 28,700 | 34,400 | 40,000 | 42,000 |
| • lavatory faucets | N/A | 154 | 15,189 | 19,096 | 18,240 | 22,500 | 23,500 | 23,800 | 28,700 | 34,400 | 40,000 | 42,000 |
| • toilets | N/A | 486 | 1,260 | 2,026 | 14,500 | 18,100 | 20,000 | 20,200 | 23,000 | 27,600 | 33,800 | 35,000 |
| • showerheads | N/A | N/A | N/A | 241 | 12,200 | 13,700 | 15,000 | 15,150 | 16,400 | 19,700 | 23,400 | 24,300 |

MY HOME. MY EARTH.® OPTIONAL PRODUCTS AND UPGRADES

| Total # of My Home. My Earth. optional upgrades installed | N/A | N/A | 21,010 | 23,155 | 18,412 | 20,039 | 33,582 | 35,373 | 46,717 | 52,094 | 59,454 | 61,585 |

1 Project site conditions and development requirements, as well as factors outside of our control, can restrict our ability to build ENERGY STAR certified 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 2012–2018 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.
## ENVIRONMENTAL PERFORMANCE OVERVIEW

### PERFORMANCE INDICATOR

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<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>
<td>22%</td>
<td>26%</td>
</tr>
<tr>
<td>Number of meeting hours hosted on iLab</td>
<td>N/A</td>
<td>1,934</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>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Recycled paper (office grade) processed through our national service provider, which recycles the paper after shredding (lbs.)</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>
<td>335,526</td>
<td>181,981</td>
</tr>
<tr>
<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>
<td>2,815</td>
<td>1,527</td>
</tr>
<tr>
<td>Water saved (gal.)</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>2,269,713</td>
<td>4,598,551</td>
<td>2,494,154</td>
</tr>
<tr>
<td>Air pollution avoided (lbs.)</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>119,899</td>
<td>242,920</td>
<td>131,755</td>
</tr>
<tr>
<td>Landfill reduction (cu. yds.)</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>
<td>838</td>
<td>455</td>
</tr>
<tr>
<td>Electricity saved (kWh)</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>
<td>379,144</td>
<td>205,640</td>
</tr>
<tr>
<td>Oil saved (gal.)</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>
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</table>

### OUR CARBON FOOTPRINT

<table>
<thead>
<tr>
<th>Estimated greenhouse gas emission for KB Home operations (CO2e in metric tons)</th>
<th>N/A</th>
<th>42,204</th>
<th>20,296</th>
<th>17,015</th>
<th>14,549</th>
<th>13,468</th>
<th>14,092</th>
<th>16,078</th>
<th>19,186</th>
<th>22,961</th>
<th>25,062</th>
<th>24,992</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated greenhouse gas emission from intensity per delivered home</td>
<td>N/A</td>
<td>0.0000139</td>
<td>(42,204 metric tons/US $3,033,936,000 total revenue)</td>
<td>0.0000112</td>
<td>(20,296 metric tons/US $1,824,850,000 total revenue)</td>
<td>0.0000107</td>
<td>(17,015 metric tons/US $1,589,990,000 total revenue)</td>
<td>0.0000111</td>
<td>(14,549 metric tons/US $1,315,966,000 total revenue)</td>
<td>0.0000086</td>
<td>(13,468 metric tons/US $1,050,115,000 total revenue)</td>
<td>0.0000068</td>
</tr>
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</table>

### WASTE REDUCTION AND RECYCLING

<table>
<thead>
<tr>
<th>% of KB homes built with preconstructed panels</th>
<th>65%</th>
<th>90%</th>
<th>90%</th>
<th>100%</th>
<th>100%</th>
<th>98%</th>
<th>85% (est.)</th>
<th>85% (est.)</th>
<th>85% (est.)</th>
<th>85% (est.)</th>
<th>85% (est.)</th>
<th>85% (est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of KB Home communities incorporating recycling into their standard job site processes</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>
<td>85% (est.)</td>
<td>85% (est.)</td>
</tr>
</tbody>
</table>

---

8 Began tracking in 2008. iLab 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.

9 This service provider also calculated the environmental benefits in the related rows below. This figure does not include the recycling programs we have established in the majority of our local offices. Increase in 2010 was primarily due to our Northern California division recycling over 11,500 boxes of archived documents in 2010. Division reduced their document storage by 50% to cut costs and improve efficiency.

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 Data not available for comprehensive emissions estimate.

14 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.

15 Began tracking in 2009.
## ECONOMIC PERFORMANCE OVERVIEW

Note: Below are key financial and overall customer satisfaction performance indicators. Additional operational results for fiscal 2018 and prior years, as well as additional information about our financial performance and business operations, including discussion of the material risk factors, are available in the periodic and other reports we file with the U.S. Securities and Exchange Commission, which can be found on our website at [www.kbhome.com/investor](http://www.kbhome.com/investor) or at [www.sec.gov](http://www.sec.gov).

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total # of homes delivered</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>
<td>11,317</td>
</tr>
<tr>
<td>FINANCIAL 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>
<td>$4,547,002</td>
</tr>
<tr>
<td>Net income/loss (in thousands)</td>
<td>($929,414)</td>
<td>($976,131)</td>
<td>($101,784)</td>
<td>($69,368)</td>
<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>
<td>$170,365</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>
<td>11,014</td>
</tr>
<tr>
<td>Backlog units</td>
<td>6,322</td>
<td>2,269</td>
<td>2,216</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>
<td>4,108</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>
<td>$1,434,368</td>
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<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>$397,400</td>
<td>$399,200</td>
</tr>
<tr>
<td>Housing gross margin</td>
<td>-5.70%</td>
<td>-7.10%</td>
<td>6.50%</td>
<td>17.40%</td>
<td>13.40%</td>
<td>14.90%</td>
<td>16.70%</td>
<td>18.10%</td>
<td>16.20%</td>
<td>16.30%</td>
<td>16.20%</td>
<td>17.50%</td>
</tr>
<tr>
<td>CUSTOMER SATISFACTION</td>
<td>8.9</td>
<td>9.3</td>
<td>9.5</td>
<td>9.5</td>
<td>9.5</td>
<td>9.4</td>
<td>9.2</td>
<td>9.1</td>
<td>9.1</td>
<td>9.2</td>
<td>9.2</td>
<td>9.4</td>
</tr>
</tbody>
</table>

1 From a 30-day post-closing survey on a scale of 1-10.
2 From a 30-day post-closing survey on a scale of 1-10; began tracking in 2010.
## SOCIAL PERFORMANCE OVERVIEW

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL # OF HOMES DELIVERED</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>
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<td>7,215</td>
<td>8,196</td>
<td>9,829</td>
<td>10,909</td>
<td>11,317</td>
</tr>
</tbody>
</table>

### STAKEHOLDER AND COMMUNITY INVOLVEMENT

- National Advisory Board

<table>
<thead>
<tr>
<th>National Advisory Board</th>
<th>Infrastructure development - approx. school-related fees paid</th>
<th>N/A</th>
<th>$35 million</th>
<th>$25 million</th>
<th>$21 million</th>
<th>$20 million</th>
<th>$22 million</th>
<th>$26 million</th>
<th>$25 million</th>
<th>$28 million</th>
<th>$34 million</th>
<th>$40 million</th>
<th>$44 million</th>
</tr>
</thead>
<tbody>
<tr>
<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>
<td>YES</td>
<td>YES</td>
<td>YES</td>
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<tr>
<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>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EMPLOYEES, TRAINING, AND LABOR PRACTICES</th>
</tr>
</thead>
<tbody>
<tr>
<td># of full-time employees</td>
</tr>
</tbody>
</table>

| # of collective bargaining agreements with employees | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

<table>
<thead>
<tr>
<th>EMPLOYEE INJURIES BY REGION:</th>
</tr>
</thead>
<tbody>
<tr>
<td>West</td>
</tr>
<tr>
<td>Southwest</td>
</tr>
<tr>
<td>Central</td>
</tr>
<tr>
<td>Southeast</td>
</tr>
</tbody>
</table>

| Average online training certifications per employee¹ | 46 | 36 | 17 | 14 | 12 | 12 | 17 | 13 | 14 | 10 | 7 | 8 |

| Average online training hours per employee² | 35 | 27 | 13 | 11 | 10 | 12 | 13 | 10 | 11 | 8 | 5 | 6 |

### ANNUAL CORE TRAINING CERTIFICATION RATE:

| KBnxt White Papers³ | 92% | 98% | 96% | 97% | 91% | 90% | 83% | 87% | 83% | 66% | 70% | 80% |
| Ethics Policy       | 100% | 100% | 100% | 100% | 100% | 99% | 99% | 98% | 96% | 97% | 100% | 98% |
| Complete/100% Satisfied⁴ | 94% | 99% | 98% | 97% | 92% | 97% | 100% | 90% | 85% | 75% | 77% | 83% |
| My Home. My Earth.⁵ | N/A | 99% | 99% | 95% | 93% | 83% | 85% | 85% | 81% | 64% | 70% | 77% |

| Number of safety certifications⁶ | 6,874 | 2,125 | 210 | 200 | 120 | 235 | 894 | 1,045 | 901 | 861 | 199 | 315 |

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 2016 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.
## 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 7, 15-16</td>
</tr>
<tr>
<td>G4-EN15</td>
<td>Direct Greenhouse Gas (GHG) emissions (scope 1)</td>
<td>page 40</td>
</tr>
<tr>
<td>G4-EN16</td>
<td>Energy indirect Greenhouse Gas (GHG) emissions (scope 2)</td>
<td>page 42</td>
</tr>
<tr>
<td>G4-EN27</td>
<td>Extent of impact mitigation of environmental impacts of products and services</td>
<td>page 7, 15-18</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 35, 43; 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 44</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 31, 35, 39</td>
</tr>
<tr>
<td>G4-SO4</td>
<td>Communication and training on anti-corruption policies and procedures</td>
<td>pages 37, 44</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 44</td>
</tr>
<tr>
<td>G4-LA9</td>
<td>Average hours of training per year per employee</td>
<td>page 44</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 15-22</td>
</tr>
<tr>
<td>G4-PR5</td>
<td>Results of surveys measuring customer satisfaction</td>
<td>pages 10, 41</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>page 1</td>
</tr>
<tr>
<td>INDICATOR</td>
<td>DESCRIPTION</td>
<td>LOCATION</td>
</tr>
<tr>
<td>-----------</td>
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</tr>
<tr>
<td>G4-3</td>
<td>Report the name of the organization</td>
<td>page 35</td>
</tr>
<tr>
<td>G4-4</td>
<td>Report the primary brands, products, and services</td>
<td>page 35</td>
</tr>
<tr>
<td>G4-5</td>
<td>Report the location of the organization's headquarters</td>
<td>page 39, 47</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 35</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 35; 10-K</td>
</tr>
<tr>
<td>G4-9</td>
<td>Report the scale of the organization</td>
<td>page 39; 10-K</td>
</tr>
<tr>
<td>G4-10</td>
<td>Report the total number of employees</td>
<td>page 44</td>
</tr>
<tr>
<td>G4-11</td>
<td>Report the percentage of total employees covered by collective bargaining agreements</td>
<td>page 44</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 39; 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 39; 10-K</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>REPORT PARAMETERS</th>
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<tbody>
<tr>
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<tr>
<td>G4-22</td>
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<td>G4-28</td>
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<tr>
<td>G4-30</td>
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<tr>
<td>G4-31</td>
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<table>
<thead>
<tr>
<th>GOVERNANCE, COMMITMENTS AND ENGAGEMENT</th>
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</thead>
<tbody>
<tr>
<td>G4-24</td>
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<tr>
<td>G4-25</td>
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<td>G4-34</td>
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<td>G4-37</td>
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<td>G4-38</td>
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<td>G4-39</td>
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</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