KB Home
Sustainability Report
2009

MY HOME. MY EARTH.®

energy star qualified homes • water efficiency • indoor air quality • earth-friendly construction • innovation • building science
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The 2009 KB Home Sustainability Report provides a public update to our previous reports, published in July 2008 and May 2009. Our goal is to review and report on our accomplishments and obstacles in 2009 in order to foster further discussion and engagement with all our stakeholders on the complex issues of sustainability, and to outline our 2010 strategies and action plans to continue to advance toward our vision for sustainability.

All information provided in this report, including financial data, is for our fiscal year ended November 30, 2009, unless otherwise noted, and represents our best efforts to accurately portray our progress toward and results against our sustainability objectives. We have identified a number of goals and priorities for 2010 and we fully intend to achieve these objectives; however, they may be adjusted if there are significant, unanticipated shifts in the business climate.

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

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

Our Vision for Sustainability
To become a leading environmentally friendly national company by engaging the talents of our employees and trade partners, utilizing the power of our innovative business model to minimize the impact of our business and homes on the environment, increasing positive change in the protection of our earth and its resources, and continuing to make the dream of homeownership attainable.
A Message from KB Home President and Chief Executive Officer

I am pleased to share with you the 2009 KB Home Sustainability Report. Since expanding our commitment to sustainable homebuilding with the launch of our My Home. My Earth® environmental initiative, we have made great headway in advancing our objective of becoming a leading environmentally friendly national company. As much as we have accomplished, we also recognize that there is more work yet to be done, and more for all of us to learn.

At its core, I believe sustainability is an education process. For KB Home this means educating ourselves and our partners about the needs of our customers, our communities and our world, as well as educating homebuyers on how they can reduce the environmental impact of their day-to-day living without compromising on their new home or their budget. This two-way learning is a natural progression from the disciplines of our KBnxt Built to Order™ business model, which puts our customers and their preferences at its center. With this fact- and process-based approach as our foundation, we have been able to implement new sustainability programs and launch additional earth-friendly products quickly and effectively. To demonstrate how this data-driven process guides our sustainability efforts, in this report we share a case study that highlights key insights gained from recent research findings and how we are applying them to our business.

This report also outlines our achievements against our 2009 objectives, as well as our opportunities for improvement. We look forward to broadening these results in 2010 with initiatives that span every aspect of sustainability from environmental and social to economic.

My deep appreciation goes out to the employees of KB Home for their dedication and enthusiasm in driving our ongoing commitment to earth-friendly homebuilding. Working together I am confident that we will make a difference in the lives of our customers, increase the positive impact of our operations and create more sustainable communities in the process.

Sincerely,

Jeffrey T. Mezger
President and Chief Executive Officer
In the 2008 KB Home Sustainability Report, we outlined specific, measurable actions that we committed to in order to make progress toward our goal of becoming a leading environmentally friendly national company. These actions were designed to advance our efforts across the five core principles that guide our sustainability initiative:

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

The table below and on the following pages shows our progress:

<table>
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<tr>
<th>Core Principle</th>
<th>2009 Commitment</th>
<th>Progress</th>
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<tbody>
<tr>
<td>1. Offer environmentally friendly and affordably priced homes, products and features that minimize our homeowners’ carbon footprints and energy usage, conserve natural resources and create more sustainable homes and communities.</td>
<td>Ensure that all homes in newly opened communities are ENERGY STAR® qualified.</td>
<td>COMPLETED</td>
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The cumulative number of ENERGY STAR qualified homes built by KB Home since 2001, providing substantial environmental and financial benefits over the entire lifetime of the home.

55,407

Percentage of Homes Built by KB Home That Are ENERGY STAR Qualified

![Percentage of Homes Built by KB Home That Are ENERGY STAR Qualified](chart)

Note: In 2007, some of our divisions participated in alternative energy-efficiency programs from local utilities and other entities, temporarily reducing our overall percentage of ENERGY STAR qualified homes. In 2008, KB Home made a companywide commitment to ENERGY STAR, bringing this percentage back up quickly. Also, the 2008 percentage has been adjusted from previously published figure to reflect revised EPA data.
## 2009 MY HOME. MY EARTH. COMMITMENTS AND RESULTS

**Energy Plus Homes**

In addition to being ENERGY STAR qualified, every KB home built by our Las Vegas division now meets NV Energy’s new Energy Plus Homes standard.

Energy Plus homes are approximately 15% more energy-efficient than ENERGY STAR qualified homes and are currently available only in Southern Nevada. KB Home was the first major homebuilder to adopt this new standard, beginning in September 2009. We are pleased to offer this increased efficiency to all our Las Vegas–area homebuyers at no additional charge.

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<tr>
<th>Core Principle</th>
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<tr>
<td>Environmentally Friendly and Affordably Priced Homes</td>
<td>Continue to focus on adding environmentally friendly products to the homes that we build and the options we offer.</td>
<td>COMPLETED</td>
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<td></td>
<td>Add four additional new environmentally friendly products in 2009 to the standard features built into every new KB home.</td>
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**New Earth-Friendly Standard Features**

- New earth-friendly standard features that are now built into every new KB home at no additional cost to our homebuyers include:
  1. WaterSense® labeled bathroom lavatory faucets from Moen® (previously offered as an optional upgrade only).
  2. Dual-pane, low-emissivity (low-E) windows (previously offered as an optional upgrade only).
  3. 100% recyclable carpets with Cradle to CradleSM Silver Certification and low-VOC carpets with CRI Green Label Plus certification (both standard and optional carpets).
  4. Low-VOC paint in all home interiors to reduce paint odor and lessen allergy and chemical sensitivities.

Note: In addition, in 2009 we increased the energy efficiency and earth friendliness of the end-to-end HVAC (heating, ventilating and air conditioning) system, including making all of the following components standard in every new KB home:

  5. Carrier Puron® refrigerant-based HVAC systems. Puron is environmentally sound and does not deplete the ozone layer.
  6. Carrier programmable thermostats that provide cutting-edge control capabilities for maximum performance and increased energy efficiency. Since heating and cooling a home can account for up to half of an average household’s utility bills, this feature also means savings for homeowners.
  7. High-efficiency MERV–8–rated air filters that tangibly improve indoor air quality by capturing and removing dust, pollen, mold spores, pet allergens and smog particles (except when equipment calls for a different filter).
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| Environmentally Friendly and Affordably Priced Homes (cont’d) | Launch *My Home. My Earth.* option packages with our Built to Order™ approach to increase consumer adoption of environmentally friendly choices and help buyers reduce their carbon footprint. | *My Home. My Earth.* Option Packages
PARTIALLY COMPLETE
- We had planned to bundle some of our more frequently purchased earth-friendly *My Home. My Earth.* optional features into packages in order to increase incremental consumer adoption. We discovered in attempting to do this, however, that variations in climate, regional preferences and local regulations across our various geographies made universal standards impractical.
- In addition, this approach of bundling options rather than offering consumers a complete range of individual choices was inconsistent with the Built to Order approach that is at the core of KB Home’s business model. Instead, we are now focusing on educating consumers about how they can save money over time with earth-friendly options. We still offer all of the options that would have been included in these bundles, but now allow homebuyers to create their own package of options according to their unique needs and preferences. |

**North Haven: KB Home’s First GreenPoint Rated Community**

North Haven, a new neighborhood of single-family homes in highly desirable San Jose, California, is KB Home’s first GreenPoint Rated community, and fully ENERGY STAR qualified.

Developed by the nonprofit organization Build It Green, GreenPoint Rated expands on ENERGY STAR with broader and more stringent requirements than California’s Title 24 and addresses improved efficiency in the areas of energy and water savings, as well as improved indoor air quality. GreenPoint Rated is a comprehensive system that can encompass not only the energy-efficient features built into a new home, but also a wide variety of other earth-friendly building practices, ranging from water-efficient landscaping to using recycled and engineered building materials in construction. The strict specifications and rigorous point-based system required for GreenPoint Rated status, along with independent third-party inspection and verification, ensure that these homes are at the forefront of earth-friendly homebuilding. And with all of the features that go into making every North Haven home GreenPoint Rated available to homebuyers at no additional charge, KB Home is making earth-friendly living more affordable.

We are expanding our involvement with this program. All new KB Home communities opening in Northern California in 2010 and beyond will be GreenPoint Rated in order to offer our homebuyers all the financial and environmental benefits that go with this rigorous standard.

**New Earth-Friendly Optional Features**

COMPLETED
- In 2009, we added five new earth-friendly optional products that KB homebuyers can select at the KB Home Studios:
  1. WaterSense labeled upgraded bathroom lavatory faucets from Moen (in addition to standard lavatory faucets). In 2008 only one of our nine lines of lavatory faucets was WaterSense; in 2009 every one of our eight lines was WaterSense.
  2. LED light fixtures from Sea Gull Lighting® that consume less energy and have longer lifespans than compact fluorescent light (CFL) bulbs.
  3. Recycled-content Emser Tile® and Daltile® tile and Mannington® vinyl flooring that include at least 20% post-industrial recycled content (on select lines).
  4. Wood flooring free of endangered tree species and produced in the U.S. (not applicable to bamboo flooring).
  5. New Whirlpool® ranges with earth-friendly cooktops, upper ovens that use 50% less energy, and an energy-saving steam clean feature.
Goal: Offer Solar Electric Power at an Affordable Price

At KB Home we are working toward a goal of offering homebuyers an affordable, high-quality solar electric power option. Since 2006, when we first offered building integrated photovoltaic system (BIPV) options at select Northern California communities, we have learned much that will help us in our goal of making these systems both more widely available and financially attainable for a greater number of homebuyers.

Recently enhanced federal tax credits for renewable energy products, as well as incentives offered by California and other states, are helping to make solar options more affordable. Today, we offer solar electric system options in a number of Northern California communities as well as in two pilot communities in Denver, Colorado. In addition, in 2009 we began offering a solar pre-wire option to our homebuyers in Colorado.

We are working with solar system manufacturers and installers to streamline processes and standardize our solar photovoltaic options, which should minimize the complexity of this option and enable us to optimize pricing as we expand this offering to other communities and markets. Currently we offer two types of photovoltaic systems. In California and other regions that typically have tile roofs, we are using tile-integrated BIPV solar modules that emulate the shape and color of tile roofing and maintain the natural form of the roofline. In Colorado and other areas that have traditional asphalt shingles, we are using traditional photovoltaic rack-mounted modules. These are less expensive, but are more noticeable on the roof.

KB Home is committed to making solar power viable and affordable for all homebuyers, which is why we support the California Energy Commission’s New Solar Home Partnership. We have participated in their stakeholder meetings to help prioritize goals for effective marketing and outreach to increase consumer adoption of this earth-friendly energy source. We will continue to work with governmental and nongovernmental groups as well as our partners on an ongoing basis to identify new features to make our homes even more earth-friendly, while also reducing utility bills.

Core Principle

Environmentally Friendly and Affordably Priced Homes (cont’d)

2009 Commitment

Implement water usage reduction programs in 100% of our divisions in 2009.

Progress

PARTIALLY COMPLETE

- All bathroom lavatory faucets at both the standard and optional upgrade levels are now WaterSense®.
- Our goal was to make systemic, companywide progress toward reducing water consumption in 2009. While most of our divisions have taken some measures to reduce landscaping water consumption based on their local climate, such as reducing turf area and increasing the use of more drought tolerant shrubs and/or offering xeriscape landscaping, there is still much we can do to achieve comprehensive, measurable change across the company.

This is the cumulative number of Water Smart Homes built by KB Home since 2005. KB Home builds 100% of our Las Vegas homes to this standard at no additional cost to our homeowners.

“KB Home was the first major homebuilder to embrace Southern Nevada Water Authority’s Water Smart Homes program and build all of their homes in the Las Vegas area to this standard, which reduces fresh water consumption by nearly 50% compared to traditional new homes. As one of the largest builders in the region, their participation has been influential in encouraging other builders to adopt the standard as well and homebuyers to look for the Water Smart Homes label when shopping for a new home. We applaud their long-term view on the importance of water scarcity as a key issue for Southern Nevada and all of its residents.”

Doug Bennett
Conservation Manager
Southern Nevada Water Authority

7,193
2009 Commitment
Deliver 50% of our homes companywide in 2009 from The Open Series™, bringing an affordable, environmentally friendly option to first-time, first-move-up and active-adult homebuyers to reduce their carbon footprint and energy usage.

Progress
COMPLETED
• By the end of 2009, our homes from The Open Series made up more than 50% of our deliveries and are now available in every one of our divisions nationwide.
• Response from homebuyers has been very strong, demonstrating the market for homes that combine affordability and earth-friendly features.

Core Principle
Environmentally Friendly and Affordably Priced Homes (cont’d)

MOVING FORWARD — Environmentally Friendly and Affordably Priced Homes:

KB Home will continue to strive toward our goal of building 100% of our homes to ENERGY STAR specifications, as well as exploring local programs and standards that expand our commitment to energy-efficient, earth-friendly homebuilding.

We will add new earth-friendly products and features as standard items that are built into every KB home across the company to even more effectively differentiate KB homes from resales and other new homes. Our goal is to add these additional products and features at no additional cost to our homebuyers and with minimal or no impact on our cost to build. Our emphasis will be less on increasing the volume of earth-friendly options we offer and more on increasing the number of our homebuyers who choose these products. Key to this effort will be a continuing emphasis on consumer education, particularly in demonstrating how these products not only benefit the earth, but also save them money in the process.

Product innovation is an ongoing process for KB Home and an integral part of our KBnxt operational business model. We continue to build on the success of The Open Series with new design features and building efficiencies, driven by insights from our extensive consumer research.

A major challenge not only for KB Home, but for all homebuilders who build ENERGY STAR qualified homes, will be working to implement the increased ENERGY STAR requirements that take effect in 2011. Our goal is to meet these new, more stringent standards without significantly impacting either our costs to build or the affordability of our homes for our customers. Details on the new requirements are scheduled to be published in early 2010, at which time we will be able to plan for how we can retain our commitment to this leading energy-efficiency standard.

In addition to energy efficiency, water conservation is one of our major areas of focus companywide in 2010, including becoming the first national builder to pilot EPA’s WaterSense for New Homes water-efficiency program (see page 21 for more information).

This is the percentage of the nation’s carbon footprint resulting from home energy usage — roughly twice the carbon emissions of passenger cars, according to the Pew Center on Global Climate Change.

With 100 million homes across America, we have an opportunity to significantly reduce our carbon footprint with energy-saving measures like insulation, caulking, and heating and cooling system upgrades, which can reduce household energy consumption by 10–40%, according to the President’s Economic Recovery Advisory Board.

Every ENERGY STAR qualified home built by KB Home reduces greenhouse gas emissions by approximately 2.6 metric tons per year compared to a standard new home, according to EPA estimates. And that’s good for the earth and our homeowners.
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| 2. Utilize our history of innovation and our process-driven approach to reduce waste and natural resource usage throughout our organization. | Fully implement Phase I of our internal waste reduction standards in 100% of all KB Home divisions and the corporate office as a minimum performance requirement for reducing the use of paper, electricity, water and office supplies. Measure and internally report progress quarterly. | **COMPLETED**
- We identified 10 specific standards to reduce water, energy and paper consumption, as well as reduce office supply waste. These standards were launched in the second quarter of 2009 and by the fourth quarter we achieved 99% compliance with all 10 standards companywide. Two divisions are still attempting to implement paper recycling programs in leased facilities where the building management does not yet support recycling, which is the only measure not fully achieved in all divisions. |
| Implement Phase II of our internal waste reduction initiative by analyzing our construction waste stream and creating division-level action plans and companywide standards to eliminate, reduce, reuse and recycle our high-volume building materials. Measure and internally report progress quarterly. | **COMPLETED**
- To better understand the composition of our waste stream, in April 2009 every KB Home division completed a “dumpster dive.” This created a keener awareness of the amount of waste on our job sites and also motivated employees to find ways to reduce and divert the waste going to landfills.  
- Our original intention to track the costs of waste encountered unexpected difficulties due to some operational and regulatory variation in our divisions, and we were unable to uniformly measure costs companywide. Instead, we decided to focus our efforts on tracking and measuring the volume of waste diverted from landfills.  
- Following analysis of the dumpster dives, 100% of divisions submitted action plans that outlined specific ways to eliminate, reduce, reuse and recycle our waste materials including lumber, drywall, cardboard and shingles.  
- Job site waste reduction is a major focus for KB Home in 2010 (see Moving Forward on the following page, as well as detail on page 23). |
### 2009 MY HOME. MY EARTH. COMMITMENTS AND RESULTS

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<tr>
<td>Reduce waste and natural resource usage (cont’d)</td>
<td>Partner with suppliers to reduce waste in packaging and product delivery and identify potential best practices for a larger rollout.</td>
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<tr>
<td></td>
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<td>• Reducing waste in packaging and product delivery was a major emphasis with our partners at our annual National Strategic Suppliers Conference in October. It is a priority for many of our large suppliers in their own businesses as well.</td>
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<td>• In 2009, we worked with Whirlpool to implement a program where they manage and control the packaging waste from the appliances they deliver to our job sites, ensuring that it is reused or recycled as appropriate.</td>
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<td>• In addition, we are implementing Kwikset’s SmartKey® product for all of our homes nationwide. SmartKey reduces lock replacements and contains approximately 25% recycled content.</td>
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<td>• We are continuing to work with our suppliers to increase these efforts on an ongoing basis. Achieving this commitment does require creativity in overcoming logistical hurdles, but remains a top priority for us.</td>
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### MOVING FORWARD — Reduce Waste and Natural Resource Usage:

We continue to measure and internally report on the standards we have established for reducing waste in both our office operations and on our job sites. We will implement additional standards after fully achieving existing ones.

We are building on our 2009 results with a major focus on job site waste reduction in 2010, including establishing a companywide and division-by-division measurement of waste from our construction sites that will serve as a baseline for measuring our efforts going forward. Based on that, we will be identifying specific ways to eliminate, reduce, reuse and recycle these materials with a goal of achieving significant reductions in materials going to the landfill (see page 23 for details).

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

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<td>Launch our first National Advisory Board, which will focus on development, environmental, community and social issues.</td>
<td>COMPLETED</td>
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<td>In addition to convening regular meetings in our existing divisional Community Advisory Boards (CABs), implement CABs in a minimum of two more divisions as we strive to meet our goal of establishing them in every one of our major divisions.</td>
<td>COMPLETED</td>
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<td>In 2009, we instituted Community Advisory Boards in two additional divisions, Central Texas and Las Vegas.</td>
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<tr>
<td>Along with our four existing CABs, these new boards help KB Home management understand the current issues, opportunities and needs in community planning and home design in the region.</td>
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CHARITABLE CONTRIBUTIONS

As a homebuilder, we feel strongly about the basic need for all people to have access to an adequate place to live. Much of our charitable giving centers around shelter-related causes, including both in-kind donations of labor and furnishings as well as the gift of volunteer time. Following are several examples of our charitable activities in 2009:

• KB Home is a key supporter of Harbor House, the only shelter for victims of domestic violence in Orange County, Florida. In 2008 KB Home and more than 75 trade partners completed the construction of a new, 7,500-square-foot domestic violence center and donated it to Harbor House, at an estimated value of more than $2 million. In 2009, KB Home stepped forward again to help the silent victims of domestic violence, the children, by committing to help build a new, 11,000-square-foot children’s center on the Harbor House campus, which is expected to be completed in the first half of 2010. In recognition of our support of Harbor House, KB Home was honored with the 2009 Outstanding Philanthropic Corporation award by the Association of Fundraising Professionals, which is given to a corporation that has demonstrated an outstanding financial commitment to the community and achieved a positive and tangible impact.

• Our Southern California division donated approximately $25,000 worth of furniture from our model homes to Toby’s House, an organization that assists homeless pregnant women and their children. The same division also made a similar donation valued at approximately $15,000 to Veronica’s Home of Mercy, a long-term transitional home assisting adult pregnant women and their children, who have been impacted by domestic violence, abortion, substance abuse and homelessness.

• Our Las Vegas division donated approximately $8,500 worth of furniture to St. Jude’s Ranch, which assists abused, abandoned and neglected children of all races and faiths and provides a home-like environment to help them start new lives.

• Our Northern California division donated $20,000 worth of furniture to Senior Housing Solutions, the first nonprofit organization in the nation to explore “home sharing” as an innovative housing strategy for seniors with low incomes.

• Our Colorado division is a longstanding supporter of the Denver Children’s Advocacy Center (DCAC), a nonprofit agency that provides a safe haven and ongoing counseling to over 800 sexually and physically abused children and their families in the Denver Metro area. Since 2007, KB Home and our subcontractors have provided approximately $700,000 in construction services to DCAC, first remodeling the DCAC house and now participating in the construction and remodel of a second DCAC home.

• KB Home divisions across the country made additional charitable contributions both large and small to make a difference in their communities. Companywide, we donated over 500 computers to school districts and other charitable organizations in 2009. Our Southern California division is in its fourth year of helping the Riverside County Regional Medical Center raise $1 million through an annual KB Home golf tournament, which has raised $405,346 to date. Our Arizona division supports StarShine Academy, a nonprofit charter school in Phoenix, as well as the Save the Family Foundation of Arizona. The Houston division donated model home furniture and office supplies to the social service agency Northwest Assistance Ministries. Our Central Texas division held a number of blood drives and several food donation efforts to benefit a local food bank. Our Las Vegas division is a supporter of the local food bank Three Square. Our Jacksonville division partnered with Hands On Jacksonville, a nonprofit organization that acts as a support center for small nonprofits in the Greater Jacksonville area, aiding 15 different organizations that included Boys and Girls Clubs of America and programs to help disadvantaged youth. Our South Carolina division has donated model home furniture to a local women’s shelter, My Sister’s House. Our corporate office supports Communities in Schools, a local organization focused on keeping at-risk teens in school.
2009 MY HOME. MY EARTH. 
COMMITMENTS AND RESULTS

CHARITABLE CONTRIBUTIONS (cont’d)

KB TLC (Teamwork-Leadership-Community) is a voluntary employee group in our Central Texas division that actively participates in community service. Just a few of the KB TLC projects in 2009 included:

- Citywide Graffiti Wipeout: KB TLC volunteers teamed up with District 7 city councilman Justin Rodriguez to beautify parts of the city by painting over gang tags and other graffiti.
- Adopt-a-Highway: Once each quarter, KB TLC volunteers remove trash and other debris from one of the highways in San Antonio as part of a statewide program to keep roadways beautiful.
- Medina River CleanUp: KB TLC volunteers removed trash from a city park along the banks of the Medina River, and also removed weeds from fields by hand and created seed balls to repopulate the areas with native grasses and wildflowers.
- Voelker Park Planting: KB TLC volunteers joined hundreds of others in planting native grasses in a field at San Antonio’s new Voelker Park as a part of an effort to restore land that had been overgrazed by cattle to its native state.

MOVING FORWARD — Responsible Community Member:

In 2010, our National Advisory Board and all our divisional Community Advisory Boards will continue to meet regularly to provide us with their insights and advice. We also anticipate implementing Community Advisory Boards in two additional divisions.

Core Principle

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

2009 Commitment

Launch new educational displays in every one of our sales offices nationwide to focus on the benefits of energy efficiency offered in all KB homes.

Progress

- In 2009, we launched a new My Home. My Earth. display in every sales office nationwide to promote the consumer benefits of our energy efficiency and earth-friendly building practices.
- In addition, we rolled out a complete line of model home “silent seller” signs that highlight earth-friendly products in our model homes and promote their benefits for consumers in specific, meaningful ways, including the many financial and environmental advantages of our ENERGY STAR qualified homes.
- We also produced a consumer video on kbhome.com that features an independent Home Energy Rating System (HERS) rater demonstrating all the features that go into an ENERGY STAR qualified home and the third-party certification that confirms it.
### 2009 Commitment

**Core Principle**
Environmental Educator (cont’d)

**2009 Commitment**
Launch new, detailed ENERGY STAR consumer benefits training with 100% certification for all team members in Sales, Studio, Construction, Customer Service and Purchasing during 2009.

**Progress**

- **COMPLETED**
  - In April 2009, we launched a new ENERGY STAR Qualified Homes Introductory Training through our online university, KBU. Employees in our core functions completed the training at the following rates:
    - Sales: 97%
    - Studio: 95%
    - Construction: 98%
    - Customer Service: 97%
    - Purchasing: 98%
  - In order to help sales teams more effectively communicate the consumer benefits and stringent requirements of an ENERGY STAR qualified home, HERS raters held ENERGY STAR training sessions at every division during August 2009.
  - In addition, every sales counselor across the company was assigned to participate in an ENERGY STAR inspection with their local HERS rater in order to learn firsthand what goes into an ENERGY STAR qualified home and the rigorous inspection process that confirms that it meets this standard. As of November 30, 2009, 93% of the sales team companywide had completed this task.

**Core Principle**

**2009 Commitment**
Update KB Home’s *My Home. My Earth.* training to reflect our current commitments and actions, with 100% of KB Home team members trained and certified during 2009.

**Progress**

- **COMPLETED**
  - As part of our mandatory annual core training, the *My Home. My Earth.* certification was completed by 99% of KB Home employees. The training focused on educating employees about our current strategies and objectives.
Progress

• We continue to work closely with our trade partners on issues of sustainability and to pursue opportunities to build on their environmental programs. Sustainability is a major focus of our annual National Strategic Suppliers Conference, where we share best practices and pilot programs with our major national suppliers.

• Following are just a few of the results of our engagement with our suppliers:
  – We leveraged Shaw’s certification in the Cradle to Cradle recycling initiative to use all recyclable carpet, and increased our offerings of Anso® carpets, which have approximately 10% recycled content and will be increasing to 25% recycled content in 2010.
  – We leveraged our wood flooring suppliers’ commitment to the environment and their compliance with the Lacey Act by offering only wood flooring that is free of wood from endangered tree species and is 100% locally sourced in the US, including Mannington’s Forest Stewardship Council chain of custody certification for wood flooring.
  – Several of our suppliers are members of the EPA SmartWaySM Transportation Program, which is designed to optimize fuel efficiency and logistics to significantly reduce greenhouse gas emissions and air pollution. This means that materials delivered by suppliers to their distributors and, in some cases, directly to our construction sites, are transported via fuel-efficient vehicles that are compliant with EPA’s SmartWay standards.

• In addition to these major programs, we are continuously piloting new programs with our trade partners at the divisional and community levels. We work with Penske Logistics, an EPA SmartWay Partner, to recycle cardboard case packaging, implement returnable packaging to installers, consolidate multiple deliveries and recycle shipping pallets. In Central Florida we recycle all paint buckets through Sherwin Williams stores. In many of our divisions, trade partners are now required as part of their contracts to remove trash and packaging from the construction site, which has encouraged them to eliminate waste because they are responsible for disposing of it.

• We also maintain a relationship with InterfaceRAISE™, the sustainability consulting arm of Interface, Inc., the world’s largest manufacturer of modular carpet and a recognized global leader in sustainability. InterfaceRAISE has been instrumental in giving us deeper insight into the organizational structures necessary to achieve systemic change.

Core Principle

Environmental Educator (cont’d)

2009 Commitment

Identify how we can leverage the sustainability programs of our trade partners to reduce the impact of our own operations and increase benefits to our homeowners.

2009 Commitment

Identify how we can leverage the sustainability programs of our trade partners to reduce the impact of our own operations and increase benefits to our homeowners.

MOVING FORWARD — Environmental Educator:

We continue to view My Home. My Earth. and earth-friendly homebuilding as a key differentiator for our brand that yields both financial and sustainability dividends. We are focused on helping homebuyers, particularly those shopping for their first home, as well as our employees to view energy efficiency and earth-friendliness as essential criteria in the purchase of a new home. We will also continue to collaborate with suppliers to implement product and process innovations designed to meet next-generation sustainability standards.
ECONOMIC IMPACT OF CLIMATE CHANGE

KB Home believes that increasing consumer awareness and demand for products that are earth-friendly present clear opportunities for all businesses, and the homebuilding industry in particular. But these factors also present potential economic risks. We are committed to continuing to evaluate both the opportunities and the costs of operating a more sustainable business.

The potential economic risks arising from the anticipated impacts of climate change that we have currently identified include:

- **Regulatory Changes.** Predictions of the impact of climate change are driving shifts in local, state and federal regulations, and can directly or indirectly curtail development and/or significantly increase the costs of building homes through zoning restrictions, building codes, remediation or preservation requirements, or other mandates.

- **Water Use Restrictions.** Restrictions on water use are already quite common in many areas, and there may be federal greenhouse gas legislation or regulation in the next few years. In addition, climate changes affect precipitation patterns and water availability, which may impact new development opportunities.

- **Prohibitive Living Costs.** The effects of climate changes and potential regulatory actions may also increase living costs, limiting the population of potential future homebuyers.

- **Capital Availability.** These conditions may also negatively impact the availability of capital for real estate development.

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### Core Principle

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

### 2009 Commitment

Continue to report on sustainability efforts to the Board of Directors, employees and stakeholders, and refine the methodology used for scorecards and calculations.

### Progress

- **COMPLETED**

  - With the publication of our third comprehensive *Sustainability Report* in less than two years, we continue to demonstrate our commitment to open and transparent reporting on all aspects of sustainability, including this scorecard on our achievements and shortfalls in 2009.
  - *My Home. My Earth.* and our earth-friendly initiatives are major messages in virtually all of our consumer, employee, investor, government and stakeholder communications.
  - We have continued to report regularly to Kenneth M. Jastrow, II, a member of our Board of Directors who advises on our sustainability strategy, as well as give presentations to our entire Board of Directors regarding our efforts and progress.

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### Core Principle

Corporate Citizenship (cont’d)

### 2009 Commitment

Continue to measure the company’s carbon footprint and implement actions to minimize greenhouse gas emissions from both our operations and our homes.

### Progress

- **COMPLETED**

  - In 2009 we significantly expanded and improved our methodology for estimating KB Home’s carbon footprint and are reporting our resulting greenhouse gas emission estimate in our response to the Carbon Disclosure Project questionnaire. While it does not reflect an absolute measurement, we believe that this methodology provides an effective means of estimating our greenhouse gas emissions as a normal course of business going forward (see the Carbon Footprint Measurement chart on the following page for complete details on this methodology and its evolution).
## KB HOME GHG EMISSION ESTIMATES

### CARBON FOOTPRINT MEASUREMENT

Since publishing carbon footprint measurement information in our first sustainability report, we have continuously refined our methodology to make it more accurate. With the significant expansion of our methodology in 2009, we believe we have achieved an effective and representative, even if not fully comprehensive, means of capturing this data and reporting on it as a normal course of business. The capture and processing of this data requires significant dedication of employee resources, particularly in resource-challenged times for homebuilders, and demonstrates our commitment to accuracy and transparency in this important area.

### The Carbon Disclosure Project

As part of our ongoing commitment to not only measuring but publicly reporting on our greenhouse gas (GHG) emission estimates, KB Home reports findings through the Carbon Disclosure Project (CDP). The Carbon Disclosure Project is an independent, not-for-profit organization that launched in 2000 to collect and distribute high-quality information that motivates investors, corporations and governments to take action to prevent climate change. Over 2,500 organizations in 60 countries measure and disclosure their greenhouse gas emissions and climate change strategies through the CDP. The CDP evaluates these submissions and scores responses based on whether and how well companies responded to each question, as well as performance factors. Through this method, the CDP is promoting openness and transparency in greenhouse gas emission disclosure in order to encourage companies to take action to reduce these emissions and to spur further dialogue with stakeholders. Our response to the Carbon Disclosure Project 2010 information request will be the third year that we have participated in this important process. We are pleased to have earned the highest CDP 2009 score in our industry and among our major partners.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Results for 2006</th>
<th>Results for 2007</th>
<th>Results for 2008</th>
<th>Results for 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completed Estimate of GHG Emissions</td>
<td>No</td>
<td>No, but completed an estimate for a small representative sample of our business</td>
<td>Yes, based on small representative sample applied across our business</td>
<td>Yes, based on new, broader method</td>
</tr>
<tr>
<td>Sample Used to Estimate GHG Emissions</td>
<td>N/A</td>
<td>Hired external firm to estimate our GHG emissions from our corporate headquarters in Los Angeles as well as four sample facilities in South Carolina representing the range of our typical divisional facilities (South Carolina was selected because much of their electricity is derived from coal, therefore these facilities, while partial, represent a worst-case estimate for our divisional emissions)</td>
<td>Used sample data from 2007 and applied these worst-case estimates to the entirety of our business by multiplying them by the total number of model homes, sales offices, Studios and division offices companywide</td>
<td>Implemented system for collecting energy-consumption data from a broader sample that covers all of our divisions</td>
</tr>
<tr>
<td>GHG Emissions Estimate (CO₂-e in metric tons)</td>
<td>N/A</td>
<td>Corporate Headquarters: 670 South Carolina Division Office: 197 Charleston Studio: 153 Model Home #1: 26.8 Model Home #2 with Sales Office: 27.4</td>
<td>42,204</td>
<td>20,296 (Significant reductions are due to a combination of factors: greater accuracy of data capture, a broader sample that takes into account regional variances in the sources of electricity generation, and the impact of our companywide focus on reducing energy consumption in our business operations)</td>
</tr>
<tr>
<td>Answered Carbon Disclosure Project (CDP) Questionnaire</td>
<td>No, but provided general information in a letter format</td>
<td>Yes</td>
<td>Yes</td>
<td>Intend to answer by May 2010 due date</td>
</tr>
<tr>
<td>Carbon Disclosure Leadership Disclosure Score</td>
<td>N/A</td>
<td>45</td>
<td>58</td>
<td>Not available until after evaluation by the CDP</td>
</tr>
</tbody>
</table>
KB HOME GHG EMISSION ESTIMATES

**AN EXPANDED GHG EMISSIONS METHODOLOGY**

As we continue to progress toward our sustainability goals, we have recognized the need to improve and expand upon our methodology for estimating greenhouse gas emissions in order to present a more comprehensive picture of the impact of our total business operations and provide a more accurate baseline to measure our ongoing reduction targets against. One of our challenges is that our business spans the country and regional variables significantly affect the accuracy of these estimates. For example, while our corporate headquarters and many of our communities are located in California, which derives much of its electricity from less carbon-intensive nuclear energy, we also have a substantial number of facilities in other states, some of which rely on coal-based energy. In addition, the winter energy consumption of our facilities in Colorado are far different than those in our California or Florida facilities. In 2009, we undertook a substantial expansion of our data capture and measurement systems and established a new methodology and additional resource support. This will allow us to estimate our GHG emissions based on a far broader sample that reflects specific monthly energy consumption tracking from multiple facilities in every division companywide and takes into account regional variations in energy source and consumption.

The flow chart below shows a detailed overview of our expanded data capture system and how we translate that consumption data into a GHG emissions estimate:


<table>
<thead>
<tr>
<th>Production Homes¹</th>
<th>Model Homes²</th>
<th>Studio and Offices³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average kWh per dollar spent from 15 utility invoices at each division</td>
<td>Average kWh per dollar spent from 10 utility invoices at each division</td>
<td>Invoices or consumption projections for electricity and natural gas at Studios and offices</td>
</tr>
<tr>
<td>Average Therm per dollar spent from 15 utility invoices at each division</td>
<td>Average Therm per dollar spent from 10 utility invoices at each division</td>
<td>Invoices or consumption projections for electricity and natural gas at the corporate offices</td>
</tr>
<tr>
<td>$\times$ Dollars spent on electricity per month in each division</td>
<td>$\times$ Dollars spent on electricity per month in each division</td>
<td>$+$ Invoices or consumption projections for electricity and natural gas at the corporate offices</td>
</tr>
<tr>
<td>= Estimated monthly total kWh usage at each division</td>
<td>= Estimated monthly total Therms usage at each division</td>
<td>= Estimated total kWh and Therms usage at Studios and offices</td>
</tr>
</tbody>
</table>

¹Construction trailer electricity and natural gas consumption included in this category.
²Sales trailer electricity and natural gas consumption included in this category.
³Data was available for 8 divisions, while 4 divisions didn’t have usable data. We accounted for energy usage at the locations that didn’t have data by applying a GHG emissions factor/sq. ft. that we developed in 2008.

An internal team then prepares our response to the annual Carbon Disclosure Project (CDP) questionnaire based on these figures, including publicly reporting:
- Our companywide GHG emissions estimate.
- Our estimated emissions intensity to reflect both financial results (revenue) and activity (number of delivered homes), which provides indicators that take into account fluctuations in our business from year to year.

**Looking Ahead**

In 2010, we plan to continue to estimate our GHG emissions using the methodology outlined above in order to keep a consistent approach that will allow us to compare data and effectively measure the results of our carbon footprint and GHG emissions intensity reduction efforts.
KB Home has identified three major areas of focus for 2010 to move our My Home. My Earth. sustainability goals forward:

1. **WATER EFFICIENCY AND CONSERVATION**
   - Increase the water efficiency of newly constructed KB homes in order for homeowners to reduce water consumption over the lifetime of the home.
   - Determine how to effectively estimate the amount of fresh water consumed in the operation of our business in order to establish a baseline to reduce this usage, and help to further protect water resources.

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

3. **JOB SITE WASTE REDUCTION**
   - Reduce job site waste in order to minimize the environmental impact of our construction operations.
Challenges/Background

- KB Home builds in some of the most water-scarce areas in the United States, making the reduction of water consumption a key initiative for our business, our homeowners and our stakeholders.

- In particular, local governments in these areas are struggling with how to meet the long-term water needs of their residents while maintaining vibrant, growing communities. Additional water conservation regulations are likely in many of these areas in the coming years.

- However, water conservation is not yet a priority for most homebuyers and homeowners on par with energy efficiency and does not have the same implied correlation to their monthly bills.

- A report recently released by environmental investment group Ceres summarizes why water conservation should be a vital priority for all homebuilders:
  “Homes consume 11% of all the fresh water in the United States. Many of the largest homebuilders in the United States are developing homes in regions facing both rapid population growth and dwindling water resources. A combination of fast growth, limited water supply, and growing environmental regulation means that homebuilders face both increased water-related risks and opportunities as they site, design, construct and market new homes.”


Opportunities

- Become a leader on this topic in our industry, where the water conservation discussion is not yet as significant as energy efficiency is, in order to raise the visibility of the issue and influence others to commit to water conservation.

- Establish market leadership in the eyes of consumers, while developing expertise and capability in anticipation of future regulations.

- Further develop our relationships with key stakeholders by supporting sustainable communities and the long-term interests of the areas in which we build.

- Explore ways to educate KB homebuyers on the importance of water conservation, both to save on utility bills and to ensure a continued high quality of life in the communities in which they live and work.
2010 Goals

- **Be the first national homebuilder to participate in EPA’s new WaterSense® for New Homes water-efficiency program.**

  WaterSense is EPA’s water-efficiency standard, similar to the ENERGY STAR® for energy efficiency. EPA recently introduced WaterSense labeled new homes that are built to use 20% less water than conventional new homes and save homeowners more than 10,000 gallons of water per year, in addition to significant energy and financial savings from using less hot water. KB Home will partner with EPA to be the first national homebuilder to participate in this important program.

  KB Home already builds all of our new homes with WaterSense bathroom lavatory faucets, which is one of the requirements of the WaterSense new home specification. We will be implementing additional water-efficient products and features to meet the full WaterSense guidelines. We believe this is an important new standard and are proud to partner with EPA to build consumer awareness of the importance of water-efficient new homes.

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

  We will introduce new standard and/or optional WaterSense products such as showerheads, faucets and toilets in 2010 and identify a plan to reach 100% WaterSense products in every KB home.

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

  During 2010 we will analyze the current water consumption of the homes we build in order to create a baseline that we will use to determine a meaningful and achievable target water consumption goal. We can then effectively create a plan to achieve this goal. We will also identify a methodology for assessing the typical water consumption of new homes in order to have a benchmark for comparison. By reducing water consumption, we will also be saving the energy required to treat and pump water, which is significant. For example, in California, 19% of electricity statewide goes to moving and treating water (source: The California Energy Commission, 2005 Integrated Energy Policy Report).

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

  We will define and implement a systematic way to estimate the water volume at construction sites and model homes, in order to establish a benchmark against which we can measure our fresh water consumption reduction efforts. We will also research and test ways to help further protect the water resources in communities in which we operate.
Challenges/Background

• Homebuilders may fall back on building as they always have, rather than seeing opportunities to innovate and improve.
• Consumers may perceive all builders as utilizing largely the same building materials and practices.
• Consumers also may not be aware of advances in construction materials and practices compared to those used in our primary competition, resale homes.
• Homebuyers want to know that any new building practices or materials have been thoroughly tested and piloted to ensure the highest quality.

Opportunities

• Innovate key areas of the building process in order to increase both materials efficiency and energy efficiency, reduce costs and increase affordability.
• Test new products and ideas prior to full-scale implementation to ensure quality, determine their marketability, and allow adjustments to reflect consumer feedback.
• Differentiate KB Home by identifying and implementing next-generation building sciences practices and techniques.
• Educate consumers on the environmental and quality improvements in building processes and materials compared to those used in older homes.

2010 Goals

• Create an internal building sciences innovation team to analyze current materials and processes and identify potential new opportunities with a goal of developing at least one new major process/materials improvement this year.
  This team will be made up of leaders from our architecture, purchasing and construction management teams and will represent all of our major geographic regions.

• Test new ideas, implement building sciences innovations and explore opportunities in pilot homes and/or communities.
  Committing to major changes in our home designs and building practices presents significant logistical challenges and may require major financial investments. Piloting these opportunities in advance will minimize potential risks. It will also allow us to observe consumer response to many of these features and make any necessary adjustments before implementing wide-scale change across our business.
Challenges/Background

- Job site waste makes up a significant portion of KB Home’s overall environmental impact.
- Our job sites operate in a variety of conditions and with varying available local critical services such as recycling, which often makes universal standards difficult to implement.
- Local regulations and requirements vary widely.
- Job site workers may see waste as simply a necessary by-product of the construction process and resist change.

Opportunities

- Utilize our economies of scale to identify high-impact changes that can be made at the majority of our job sites to significantly reduce waste.
- Continue to engage in dialogues with our major partners, suppliers and subcontractors, as well as our construction management, on this issue to identify best practices.
- Raise visibility of job site waste with a collection and measurement system that provides benchmark data and historical trends over time.

2010 Goals

- Create companywide Job Site Waste Reduction Standards to be implemented in every KB Home division as a minimum performance requirement.
  
  One of the core principles of our KBnxt operational business model is that every one of our divisions across the company operates with consistent standards and measures performance against those guidelines. We will also follow up on the standards we issued in 2009 to reduce the consumption and waste of energy, water, paper and office supplies in every business unit.

- Identify a Job Site Waste Reduction Leader in every division to drive local implementation of job site waste reduction best practices and measurement of results.
  
  This role will help us maintain our focus on this key issue and pilot new job site practices, as well as elevate innovative new ideas from the field.

- Create a companywide waste tracking system and implement measurement in every division.
  
  We continue to believe that measuring data and internally publishing the results is one of the best ways to create visibility and maintain focus. Having a companywide system that provides an effective benchmark is an essential first step in this process.
Data-Driven Business Model

At the core of KB Home is our innovative KBnxt Built to Order™ business model. While KBnxt has many clear and compelling operational and business benefits, what truly makes it unique — and effective — is its consumer-driven approach.

KB Home is recognized throughout the homebuilding industry for our Built to Order homebuying process that puts a near-custom home experience in the hands of every KB homebuyer at an affordable price. But what is less well known is that our customer-driven design process begins well before the customer even sets foot in a community — and even before the land is acquired.

Every decision about where we build, what we build and how we build is driven by our knowledge of homebuyers’ preferences, needs and behaviors. Since adopting what has become known as KBnxt, we have developed and refined our proprietary survey methodology to uncover actionable consumer insights.

We begin with an extensive survey of all recent homebuyers in every one of our markets at least once every 18 months. We do not just survey our own buyers; we solicit the opinions of all homebuyers in that market, whether they purchased new or resale homes and whether this is their first home purchase or they are trading up or down. This is important because our core competition is, in fact, not other builders but the wider housing market. New homes made up only 7% of total U.S. home sales in 2009.

We then marry these market surveys with psychographic profiles, qualitative research and third-party data, as well as actual home shopper and homeowner marketing and sales data and deeper analysis on specific topics. This combined data set is used to build comprehensive, actionable consumer profiles that are the foundation of every decision we make about new communities companywide.

Uncovering Homebuyer Attitudes Toward Earth-Friendly Homes

We are taking this same approach to understanding consumer preferences and behavior regarding our sustainability initiatives. KB Home has a longstanding and clear goal of becoming a leading environmentally friendly company by bringing energy-efficient, affordably priced homes to the wider new home market. We believe that making earth-friendly homes a viable, affordable option for all homebuyers is critical in making a real difference in the environmental impact of our business and our industry. This will also allow us to help our homeowners make a lasting impact on their carbon footprints by reducing their day-to-day energy and natural resource usage, which makes up 85% of the total energy consumption during the entire life cycle of a home, and save them money at the same time.

KB Home Qualitative Homebuyer Study

In December 2009, we began a research project to delve deeper into the minds of home shoppers and homeowners on their beliefs and behaviors around earth-friendliness and
CASE STUDY: RESEARCH ON CONSUMER ATTITUDES ABOUT EARTH-FRIENDLY HOMEBUILDING

how these impact the homebuying process. We began with a series of in-depth qualitative interviews in four geographic markets across the country (Southern California, Houston, Las Vegas and Orlando) with a total of 48 recent homebuyers and current home shoppers. Among the people interviewed were buyers of both new and resale homes, experienced and first-time buyers, people who had visited or purchased from KB Home and those who had not. In order to prevent any bias in the responses, KB Home was not identified to respondents during the recruiting or at any time during the interviews.

What clearly stands out in these results is that homebuyers, particularly those buying their first homes, are very focused on a narrow set of criteria and concerns. Until those needs are met, they may not be able to hear about other considerations, such as a broader “common good” concern for the environment. This holds true even if the messages are placed in front of them repeatedly and even if they agree in principle that earth-friendly practices are the right thing to do. In the current challenging economic conditions, this dynamic is probably exacerbated, resulting in a greater focus on short-term tradeoffs versus long-term benefits. This reinforces our core strategy of focusing our consumer messages on the direct financial benefits of energy efficiency and how it translates into increased homeownership affordability.

Among the interesting trends and observations from consumer interviews related to earth-friendly homes are:

• Consumers are confused about the various terms such as “green,” “socially conscious,” “sustainable” and “environmentally friendly.” They don’t know what they mean or how to differentiate them and they may gloss over them as jargon. “Earth-friendly” is the most preferred term among this group and had a clearer meaning to homebuyers.

• Saving money is more important than saving the environment — even among those who consider themselves more environmentally conscientious than other people and believe they do more to save the environment. This was particularly true of first-time buyers.

• Earth-friendly homes are associated with the home being higher quality because the feeling is that a builder who is making this effort is probably standing behind a better product. But the perception is also that these homes cost more.

• Consumers had high awareness of the ENERGY STAR endorsement and trusted it.

• Energy-efficient appliances are not viewed as being as important as the overall energy-efficiency of the home because there is a perception that all appliances on the market today are already ENERGY STAR® qualified, or that they can just be replaced later.

• However, there is a progression in receptivity to education on environmental considerations as homebuyers get deeper into the process. This interest is more pronounced in buyers who have purchased at least one home previously.

Confirming Qualitative Interviews with Third-Party Quantitative Surveys

The insights we gleaned from these consumer interviews are consistent with quantitative data from other sources as well. For instance, in a recent survey by the National Association of Realtors®, 88% of recent homeowners ranked the importance of heating and cooling costs as being very important or somewhat important; only 50% gave the same importance to other earth-friendly community features (source: NAR 2009 Profile of Home Buyers and Sellers).
In the Millennials demographic group — those aged 24–30, who make up a substantial number of KB Home’s first-time buyers — this distinction is even clearer. Among the findings in a 2009 study by leading consumer research firms The Futures Company, Henley Centre Headlight Vision and Yankelovich:

- Millennials 24-30 “rank reducing home energy usage with driving a gas-efficient vehicle when it comes to helping the environment.”

- While they “show a willingness to pay more for a green home...not all green-home initiatives will resonate equally with this group. Those that provide dual benefits — for the earth AND for their wallet — will be the ones they’ll ante up for.”

- “The opportunity is limited to during the building process – once less environmentally [friendly] appliances and materials are in place, this target is less likely than other generations to make changes.”

KB Home Shoppers Have Paradoxical Views on the Environment

Likewise, a 2009 survey of home shoppers by Builder magazine, which included KB Home shoppers as well as those from other builders, asked respondents why they would consider purchasing ENERGY STAR qualified products in a home. While nobler motivations such as “To reduce my impact on the environment” drew support, the clear winner was “To save money in the long run,” with 97% either agreeing or strongly agreeing with this statement. Among the KB homebuyers who participated in the survey, the response was even stronger, with almost 70% of buyers strongly agreeing with the financial motivation compared to 62% of other home shoppers.

In delving further into this data, there are interesting distinctions between KB Home shoppers and the other respondents. KB Home shoppers are more supportive of environmental concerns and less likely to believe that these concerns are not real, but they are also more price-sensitive than other new home shoppers and are less likely to pay more for an earth-friendly home.

On the following chart you can see the discrepancy between attitude and potential behavior. While 91% of general new home shoppers said they would be willing to pay more for energy-efficient features, just 80% of KB home shoppers said the same. Even more notable is that...
nearly twice as many KB Home shoppers as other new home shoppers said they would not pay anything at all for energy-efficient features, even when it was noted that they would lower utility bills and most of the cost would be recouped over time. In a real world situation, when faced with the challenges of qualifying for a mortgage, these options would likely be the first things eliminated.

The apparent paradox between attitudes and behavior may reflect our largely first-time buyer demographic, who are younger and may have grown up with more environmental awareness, but who are also not sure they will be able to afford their dream of homeownership.

When asked to make the same choice about “green features” that promote recycled materials or resource efficiency, water efficiency/conservation and indoor environmental quality, but do not save money, the gap between attitude and behavior becomes even greater.

The apparent paradox between attitudes and behavior may reflect our largely first-time buyer demographic, who are younger and may have grown up with more environmental awareness, but who are also not sure they will be able to afford their dream of homeownership.
Within this data we believe KB Home has an opportunity to educate consumers on how they can bring together these seemingly conflicting values. It also underscores the importance of moving the perception of earth-friendly homes away from just high-priced “pure green” homes and bringing affordable, high-quality earth-friendly new homes to the first-time homebuying market as well as the first-move-up and active-adult demographics.

KB Home remains committed to being a leader in environmentally friendly homebuilding and an early adopter in driving systemic change in our business and across our industry — because it’s the right thing to do not only for the planet, but for our customers and our company. We believe that gaining traction in consumers’ minds as an environmentally conscious company, as well as gaining significant experience in delivering high-value, earth-friendly homes at little or no additional cost to the consumer, will be a significant advantage for our company.

How We Are Applying What We’ve Learned

- Based on this data, we are following up with a deeper quantitative study to validate and further explore these observations and look for variations in geographic, demographic and psychographic segments that can produce more actionable data for how to reach homebuyers with these messages more effectively.

- In the near term, we are also testing some of these observations in our communities and sales offices in pilot programs to see how we can best apply these insights in real-world homebuying situations.

- We are expanding our homebuyer education and refining our programs based on these findings. This research as well as third-party data point to why homebuyer education is such a critical part of our environmental strategy. These findings also raise the question of when and how to educate consumers so that they are receptive to the messages and see the direct benefits to themselves as well as to the environment.
Organizational Profile and Governance

KB Home Overview

KB Home, one of the nation’s premier homebuilders, has built and delivered over half a million homes since its founding in 1957. The Company is distinguished by its Built to Order™ homebuilding approach, which gives homebuyers a tremendous level of customization at an affordable price. KB Home’s award-winning homes and communities meet the needs of first-time homebuyers with flexible designs that also appeal to move-up buyers and active adults. Headquartered in Los Angeles, KB Home operates 12 divisions in 10 states and 30 major markets across the United States.

KB Home was named to FORTUNE® magazine’s 2010 list of the World’s Most Admired Companies for the sixth consecutive year. Furthermore, KB Home ranked #1 for “Innovation” among homebuilders. In 2009, we were also recognized with the Excellence in ENERGY STAR Promotion Award from EPA, the only national builder to have been honored with this distinction. In addition, EPA recognized eight KB Home markets with a 2009 ENERGY STAR Leadership in Housing Award for building ENERGY STAR qualified homes.

The Company trades under the ticker symbol “KBH,” and was the first homebuilder listed on the New York Stock Exchange (NYSE).

Governance

Our business is conducted under the direction of our President and Chief Executive Officer with the oversight of our Board of Directors, which is chaired by a Non-Executive Chairman of the Board. Each member of our Board of Directors is elected by our stockholders to oversee the management of our business and to assure that the interests of our stockholders are met. To support this goal, we believe that a substantial majority of our Board members should be independent. With the exception of our President and Chief Executive Officer, all Board members who served during our 2009 fiscal year were independent under the Board’s independence standards. All members of the Audit and Compliance Committee of the Company’s Board of Directors also meet the independence requirements established by the Sarbanes-Oxley Act of 2002 and the NYSE.

Our Board of Directors has adopted Corporate Governance Principles that provide the framework within which we conduct our business and pursue our strategic goals. In addition, all of our Board members and employees are expected to follow the highest ethical standards when representing KB Home’s interests, and must abide by our Ethics Policy. We also maintain an Ethics Policy hotline (800-304-0657) and reporting website (kbhome.ethicspoint.com), administered by an independent third party to ensure maximum confidentiality and neutrality. Our Corporate Governance Principles and Ethics Policy are available on our website at investor.kbhome.com. Hard copies of our corporate governance principles and our Ethics Policy are available without charge through written requests to our Corporate Secretary.

Comments or questions for the KB Home Board of Directors, or any individual Board member, can be directed in care of our Corporate Secretary, KB Home, 10990 Wilshire Boulevard, Los Angeles, CA 90024.

Stakeholder Engagement

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

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

- Homeowners
- Potential homebuyers
- Stockholders and potential investors
- Employees
- Organizations that represent local communities and neighborhoods
- Elected officials, governmental regulators, planners and other public officials
- Environmental groups and other nongovernmental organizations
- Suppliers and trade partners

In addition to informal stakeholder engagement, we actively seek out input from stakeholders through our local Community Advisory Boards in most of our divisions, as well as through our newly established National Advisory Board (see page 11 for more information).

Public Policy Participation

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

We make contributions to candidates for public office, irrespective of political party affiliation, and to certain ballot initiatives. We support candidates who understand the homebuilding process and champion the broadening of homeownership opportunities. We support ballot initiatives that enhance community development and services — primarily bond measures for schools, parks, transportation, water, environmental protection, and low- and moderate-income housing. Given the economic and business conditions of the last few years, however, we have substantially reduced our political contributions, and currently contribute very little.

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

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

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

In 2009, the KB Home American Dream Political Action Committee contributed $10,500 to candidates for congressional offices and campaign committees. These contributions were reported to the Federal Election Commission and can be found on its website at www.fec.gov.

In 2009, we contributed $14,700 to campaigns for state and local offices in California and Nevada. The California contributions can be found on the California Secretary of State’s website at www.cal-access.ss.ca.gov. We contributed $1,000 (of the $14,700 total) to local campaigns in Nevada.

We are also members of various trade associations in our served markets, primarily to establish business connections with local building industry companies. From time to time, we obtain services from these trade associations, including local marketing studies, signage and advertising placements, and continuing education or training classes. Some of these
trade associations automatically allocate a portion of the fees we pay for membership dues and services to use for their own independent political activities, and we do not monitor or control how these automatic allocations are used. To the extent that we are informed of such automatic allocations by trade associations to which we pay fees of more than $50,000 in a fiscal year, we will publicly report the total amount automatically allocated. In our 2009 fiscal year, there were three such trade associations — the Mount Baldy and Riverside chapters of the Building Industry Association of Southern California and the Home Builder Association of Northern California. Based solely on their reports to us, these three trade associations automatically allocated an aggregate total of $392.

Sustainability Structure

A number of groups within the organization are specifically tasked with driving our sustainability strategies and actions throughout our entire company:

- **Board of Directors** – The Board of Directors supports sustainability as an important corporate goal. Board member Kenneth M. Jastrow, II, serves as the advisor.

- **Environmental Leadership Team** – A group of key executives convenes on a regular basis to discuss sustainability strategy, participate in educational sessions that look beyond our own industry, and create buy-in with leaders across all our operating regions and major functions of the company. These include division presidents from each of our three major regions and the senior executives leading most of our major functions, including Architecture, Purchasing, KB Home Studio, Sales and Marketing, and Legal and Government Affairs.

- **My Home. My Earth.® Divisional Liaisons** – As part of our companywide focus on waste reduction, we have identified **My Home. My Earth.** representatives in every division of the Company. These liaisons are responsible for implementing our waste reduction programs throughout each department and reporting back with input and ideas as well as results.

2009 Business Climate

In 2009, KB Home made substantial progress in the face of historic market conditions that adversely affected the vast majority of industries across the United States. Key achievements included year-over-year net order growth, four consecutive quarters of margin improvement despite declining prices, substantially reducing losses over 2008 and paying down debt while bolstering our cash position to approximately $1.3 billion. In short, we successfully transformed our business to compete in a difficult housing market.

While there will be more challenges to meet, the important strides we have made position us for restoring profitability in the second half of 2010. We believe we have a well-defined strategy and the right team in place to ensure our company’s long-term success.

Detailed operational results for 2009 and prior years, as well as additional information about our financial performance and business operations, including discussion of the material risk factors and the material drivers of our performance, are available in the reports we file with the U.S. Securities and Exchange Commission, which can be found on our website at investor.kbhome.com.
## ENVIRONMENTAL PERFORMANCE

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>Fiscal Year 2007</th>
<th>Fiscal Year 2008</th>
<th>Fiscal Year 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ENERGY EFFICIENCY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of ENERGY STAR® qualified homes built and delivered</td>
<td>7,467</td>
<td>4,736 (revised from published count in last report to reflect revised data from EPA)</td>
<td>5,258</td>
</tr>
<tr>
<td>Percentage of total homes delivered that were ENERGY STAR qualified</td>
<td>31%</td>
<td>38%</td>
<td>62%</td>
</tr>
<tr>
<td>Percentage of KB Home divisions building 100% of homes to ENERGY STAR specifications</td>
<td>27%</td>
<td>33%</td>
<td>50%</td>
</tr>
<tr>
<td>Percentage of KB Home divisions building at least some homes to ENERGY STAR specifications</td>
<td>83%</td>
<td>91%</td>
<td>100%</td>
</tr>
<tr>
<td>Number of ENERGY STAR qualified appliances installed (relative to total annual deliveries)</td>
<td>Data unavailable (did not yet track this indicator)</td>
<td>18,804 (against 12,438 deliveries)</td>
<td>12,718 (against 8,488 deliveries)</td>
</tr>
<tr>
<td>KB homeowner satisfaction ratings on energy efficiency of their KB home (on a scale of 10)</td>
<td>9.2</td>
<td>9.4</td>
<td>9.7</td>
</tr>
<tr>
<td><strong>MY HOME. MY EARTH.® OPTIONAL PRODUCTS AND UPGRADES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of My Home. My Earth. optional upgrades installed in 2009. These include appliances, HVAC equipment, radiant barrier roofing, WaterSense® labeled faucets and toilets, ENERGY STAR qualified doors and low-E windows.</td>
<td>Data unavailable (did not yet track this indicator)</td>
<td>Data unavailable (did not yet track this indicator)</td>
<td>21,010 (against 8,488 deliveries)</td>
</tr>
<tr>
<td><strong>CONSTRUCTION PRACTICES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of KB homes built with preconstructed panels (minimize waste, increase reliability and constructed offsite for greater precision, resulting in more airtight homes that are better insulated and reduce energy bills)</td>
<td>65%</td>
<td>90%</td>
<td>90%</td>
</tr>
<tr>
<td>Percentage of KB homes using preengineered roof trusses (minimize waste, made of engineered wood products that reduce the use of larger framing members that require large trees to be cut)</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Percentage of KB homes using oriented strand board (OSB) (made from wood chip rather than traditional plywood and truss joists, reducing the need for large framing members)</td>
<td>Data unavailable</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Percentage of KB Home communities incorporating recycling into their standard site processes</td>
<td>Data unavailable</td>
<td>Data unavailable</td>
<td>44%</td>
</tr>
<tr>
<td><strong>WATER CONSERVATION</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Water Smart homes built (Las Vegas program only in conjunction with the Southern Nevada Water Authority)</td>
<td>1,964</td>
<td>881</td>
<td>393</td>
</tr>
<tr>
<td>Number of EPA WaterSense labeled fixtures installed in KB homes</td>
<td>N/A</td>
<td>154 lavatory faucets; 486 toilets</td>
<td>15,189 lavatory faucets; 1,260 toilets</td>
</tr>
</tbody>
</table>
## ENVIRONMENTAL PERFORMANCE

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>Fiscal Year 2007</th>
<th>Fiscal Year 2008</th>
<th>Fiscal Year 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OFFICE SUSTAINABILITY PRACTICES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of office supplies purchased that are earth-friendly</td>
<td>23%</td>
<td>27%</td>
<td>26%</td>
</tr>
<tr>
<td>Recycled paper (office grade) recycled through our national confidential paper shredding service provider, who recycles the paper after shredding (this figure does not include the recycling programs we have established in the majority of our local offices)</td>
<td>56,440 lbs.</td>
<td>148,940 lbs.</td>
<td>72,390 lbs.</td>
</tr>
<tr>
<td>Significant reductions are largely due to reduced paper usage as part of our waste reduction initiatives</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trees saved as a result of paper recycling program</td>
<td>479</td>
<td>1,266</td>
<td>615</td>
</tr>
<tr>
<td>Water saved as a result of paper recycling program</td>
<td>197,540 gallons</td>
<td>521,290 gallons</td>
<td>253,365 gallons</td>
</tr>
<tr>
<td>Air pollution avoided as a result of recycling program</td>
<td>16,932 lbs.</td>
<td>44,682 lbs.</td>
<td>21,717 lbs.</td>
</tr>
<tr>
<td>Landfill reduction as a result of paper recycling program</td>
<td>84 cubic yards</td>
<td>223 cubic yards</td>
<td>109 cubic yards</td>
</tr>
<tr>
<td>Electricity saved as a result of paper recycling program</td>
<td>115,702 kW/hrs.</td>
<td>305,327 kW/hrs.</td>
<td>148,400 kW/hrs.</td>
</tr>
<tr>
<td>Oil saved as a result of paper recycling program</td>
<td>12,981 gallons</td>
<td>34,256 gallons</td>
<td>16,650 gallons</td>
</tr>
<tr>
<td>Number of hours of meetings hosted on iLab (virtual meeting system to minimize air and car travel for training, meetings and events)</td>
<td>Data not available</td>
<td>1,934</td>
<td>1,978</td>
</tr>
</tbody>
</table>

### GREENHOUSE GAS EMISSIONS ESTIMATE

| Carbon Disclosure Project questionnaire completed and submitted for the fiscal year impact | Yes | Yes | Intend to answer by May 2010 due date |
| Carbon Disclosure Project score | 45 | 58 | N/A (Score is not calculated until after final questionnaire is submitted in May 2010) |
| Estimated total greenhouse gas emissions for KB Home operations (CO₂-e in metric tons) | Data not available for comprehensive emissions estimate (see page 17) | 42,204 metric tons | 20,296 metric tons |
| Estimated greenhouse gas emission financial intensity per delivered home, based on the methodology identified by the Carbon Disclosure Project | Data not available for comprehensive emissions estimate (see page 17) | 0.0000139 (42,204 metric tons/ US $3,033,936,000 total revenue) | 0.0000112 (20,296 metric tons/ US $1,824,850,000 total revenue) |
| Estimated greenhouse gas emission activity-related intensity (CO₂-e in metric tons per delivered home) | Data not available for comprehensive emissions estimate (see page 17) | 3.4 (42,204 metric tons/12,438 homes) | 2.4 (20,296 metric tons/8,488 homes) |
ECONOMIC PERFORMANCE

Note: Below are key financial and customer satisfaction performance indicators. Detailed operational results for 2009 and prior years, as well as additional information about our financial performance and business operations, including discussion of the material risk factors to and the material drivers of our performance, are available in the reports we file with the U.S. Securities and Exchange Commission, which can be found on our website at www.kbhome.com/investor.

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>Fiscal Year 2007</th>
<th>Fiscal Year 2008</th>
<th>Fiscal Year 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenue (in thousands)</td>
<td>$6,416,526</td>
<td>$3,033,936</td>
<td>$1,824,850</td>
</tr>
<tr>
<td>Net income/loss (in thousands)</td>
<td>($929,414)</td>
<td>($976,131)</td>
<td>($101,784)</td>
</tr>
<tr>
<td>Number of homes delivered</td>
<td>23,743</td>
<td>12,438</td>
<td>8,488</td>
</tr>
<tr>
<td>Net orders</td>
<td>19,490</td>
<td>8,274</td>
<td>8,341</td>
</tr>
<tr>
<td>Backlog – units</td>
<td>6,322</td>
<td>2,269</td>
<td>2,126</td>
</tr>
<tr>
<td>Backlog – value (in thousands)</td>
<td>$1,498,835</td>
<td>$521,386</td>
<td>$422,496</td>
</tr>
<tr>
<td>Average selling price</td>
<td>$261,600</td>
<td>$236,400</td>
<td>$207,100</td>
</tr>
<tr>
<td>Housing gross margin</td>
<td>(5.7%)</td>
<td>(7.1%)</td>
<td>6.5%</td>
</tr>
<tr>
<td>Cash and cash equivalents, including restricted cash</td>
<td>$1,343,742</td>
<td>$1,256,922</td>
<td>$1,292,253</td>
</tr>
<tr>
<td>(in thousands, at November 30)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CUSTOMER SATISFACTION</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer satisfaction index</td>
<td>8.9</td>
<td>9.3</td>
<td>9.5</td>
</tr>
<tr>
<td>Average number of referrals by KB homeowners</td>
<td>5.0</td>
<td>5.4</td>
<td>5.6</td>
</tr>
</tbody>
</table>
## SOCIAL PERFORMANCE

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>Fiscal Year 2007</th>
<th>Fiscal Year 2008</th>
<th>Fiscal Year 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STAKEHOLDER AND COMMUNITY INVOLVEMENT</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Community Advisory Boards active and operational in our divisions</td>
<td>1</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Active National Advisory Board</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Infrastructure development – approximate school-related fees paid</td>
<td>Data unavailable (did not yet track this indicator)</td>
<td>$35 million</td>
<td>$25 million</td>
</tr>
<tr>
<td><strong>EMPLOYEES, TRAINING AND LABOR PRACTICES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of employees</td>
<td>3,556</td>
<td>1,892</td>
<td>1,446</td>
</tr>
<tr>
<td>Note: Numbers have been restated from previous reports to reflect fiscal year rather than calendar year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of collective bargaining agreements with employees</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Employee injuries – West region</td>
<td>6</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Employee injuries – Southwest region</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Employee injuries – Central region</td>
<td>5</td>
<td>16</td>
<td>3</td>
</tr>
<tr>
<td>Employee injuries – Southeast region</td>
<td>7</td>
<td>13</td>
<td>3</td>
</tr>
<tr>
<td>Average online training certifications per employee (lower due in large part to our low number of new employees, who are required to complete a large number of certifications as part of our rigorous new-hire orientation)</td>
<td>46</td>
<td>36</td>
<td>17</td>
</tr>
<tr>
<td>Average online training hours per employee (in addition to online certifications, we conduct onsite field training that is not reflected in these numbers)</td>
<td>35</td>
<td>27</td>
<td>13</td>
</tr>
<tr>
<td>Annual core training certification rate – KBNxt White Papers</td>
<td>92%</td>
<td>98%</td>
<td>96%</td>
</tr>
<tr>
<td>Annual core training certification rate – Ethics Policy</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Annual core training certification rate – 100% Complete/100% Satisfied</td>
<td>94%</td>
<td>99%</td>
<td>98%</td>
</tr>
<tr>
<td>Annual core training certification rate – My Home. My Earth.</td>
<td>N/A</td>
<td>99%</td>
<td>99%</td>
</tr>
<tr>
<td>Number of safety certifications (required only for new hires; has significantly declined given our low number of new employees)</td>
<td>6,874</td>
<td>2,125</td>
<td>210</td>
</tr>
</tbody>
</table>
The Global Reporting Initiative (GRI) is a multistakeholder organization founded in 1997 to increase transparency in sustainability reporting by providing a framework to measure and report economic, environmental and social performance to a diverse range of stakeholders. This report was prepared based on the Global Reporting Initiative's 2006 G3 Sustainability Reporting Guidelines. These guidelines are considered to be the international standard for sustainability reporting, allowing organizations to present a balanced view of their operations.

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

### GRI Performance Indicators

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<tr>
<th>Indicator</th>
<th>Description</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ENVIRONMENTAL</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EN6</td>
<td>Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.</td>
<td>pages 5–9, 22</td>
</tr>
<tr>
<td>EN16</td>
<td>Total direct and indirect greenhouse gas emissions by weight.</td>
<td>pages 17, 33</td>
</tr>
<tr>
<td>EN26</td>
<td>Initiatives to mitigate environmental impacts of products and services.</td>
<td>pages 19–23</td>
</tr>
<tr>
<td><strong>ECONOMIC</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EC1</td>
<td>Economic value generated and distributed.</td>
<td>page 34 and Form 10-K</td>
</tr>
<tr>
<td>EC2</td>
<td>Financial implications and other risks and opportunities due to climate change.</td>
<td>page 16</td>
</tr>
<tr>
<td>EC8</td>
<td>Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement.</td>
<td>page 35</td>
</tr>
<tr>
<td><strong>SOCIAL PERFORMANCE: SOCIETY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SO1</td>
<td>Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities.</td>
<td>page 11</td>
</tr>
<tr>
<td>SO3</td>
<td>Percentage of employees trained in organization’s anticorruption policies and procedures.</td>
<td>page 35</td>
</tr>
<tr>
<td>SO5</td>
<td>Public policy positions and participation in public policy development and lobbying.</td>
<td>pages 30–31</td>
</tr>
<tr>
<td><strong>SOCIAL PERFORMANCE: LABOR PRACTICES &amp; DECENT WORK</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LA1</td>
<td>Total workforce by employment type, employment contract and region.</td>
<td>page 35</td>
</tr>
<tr>
<td>LA4</td>
<td>Percentage of employees covered by collective bargaining agreements.</td>
<td>page 35</td>
</tr>
<tr>
<td>LA7</td>
<td>Rates of injury by region.</td>
<td>page 35</td>
</tr>
<tr>
<td>LA10</td>
<td>Average hours of training per year per employee by category.</td>
<td>page 35</td>
</tr>
<tr>
<td><strong>SOCIAL PERFORMANCE: PRODUCT RESPONSIBILITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PR3</td>
<td>Type of product and service information required by procedures.</td>
<td>page 13</td>
</tr>
<tr>
<td>PR5</td>
<td>Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.</td>
<td>page 34</td>
</tr>
</tbody>
</table>
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**Location:** page 2

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**Location:** page 2

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**Location:** page 2

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Board structure and independence of members.  
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### Indicator 4.4
Mechanisms for providing recommendations to highest governing body.  
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### Indicator 4.14
Stakeholder groups engaged by the organization.  
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### Indicator 4.15
Basis for identification and selection of stakeholders.  
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### Indicator 4.16
Approaches to stakeholder engagement.  
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COMMENTS

We welcome your comments and questions regarding this report and invite you to contact us at myhome.myearth@kbhome.com

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