Approach to Sustainability

Environmental Responsibility
• Building environmentally sensible, affordable homes
• Minimizing our operations’ impact on the environment
• Leveraging sustainability across every aspect of our business

Economic Responsibility
• Offering products that appeal to today’s consumer
• Keeping homeownership affordable

Social Responsibility
• Creating vibrant neighborhoods
• Giving back to the communities in which we live & work

Stockholder Responsibility
• Improving quality of the Brand
• Creating long–term growth and value
• Reporting progress on sustainability initiatives

Sustainability is valued by consumers, appeals to employees and stockholders, and is the right thing to do for the environment
Energy Efficiency’s Multiple Benefits

Background

- US households spend around $230B annually on energy (not including transportation)
- Energy is a significant and growing cost of homeownership (~15%)

Research Question

- Is residential energy efficiency associated with lower mortgage default and prepayment risk?
- Study conducted by University of North Carolina Center for Community Capital
- Institute for Market Transformation provided financial support
- Loan data from CoreLogic
- Data on rated homes from RESNET
Findings

- Default risks are on average **32% lower** on ENERGY STAR homes, controlling for other loan determinants – the more efficient the house, the lower the default risk

- A mortgage on an ENERGY STAR residence is **27% less** likely to be prepaid

- The lower the HERS Score – the lower the mortgage risk

- Results are statistically significant at a 99.9% confidence level
What Does This Mean?

- Energy efficient communities have a stronger fabric
  - How valuable is that to Cities?
  - How to encourage more Energy efficient homes?

- Given the superior loan performance of such borrowers, lenders can feel confident that they can reflect this in their mortgage offerings
  - Lenders could include the slightly higher upfront costs into the mortgage, providing the monthly savings more than offset their cost.
  - Debt-to-Income ratios could be adjusted to reflect the lower than average monthly operating costs.

- Energy efficiency renovation options could be included in mortgages for existing homes and refinesances
Building Better Performing Homes

HOMES BUILT FOR SAVING MONEY & ENERGY

HEALTHIER HOMES CLEANER INDOOR AIR

WATER CONSERVING HOMES SAVINGS IN EVERY DROP

HOMES BUILT WITH THE FUTURE IN MIND

DIFERENCE™
HOMES BUILT FOR SAVING MONEY & ENERGY

- EPG – quantifies estimated cost savings
- Every home is ENERGY STAR® certified
- KB Homes built in CA average 24% > T-24
- Over 2,500 homes with solar PV systems
- Energy Management System & USB outlet in every home
- ZeroHouse 2.0 – next generation homes

THE POWER OF 10
Edgewood at the Cove
San Jacinto, CA

- 2,233 sq. ft. ENERGY STAR certified home
- 2.3 kW solar power system

Savings in 10 Years:
$24,000 energy bills savings
+ $3,000 water bills savings
$27,000 total est. utility bills savings
Catalyst for Innovation

- Explore cost-effective materials & construction techniques for next generation of KB homes
- Showcase emerging smart home technologies
- Identify features / technologies that are attractive to consumers
- Help with market transformation

Marketing Tool

- Generate brand recognition & positioning
- Drive traffic to the community that is hosting the home
  - Consumers & brokers
  - Local governments
  - Media

KB’s 1st Net-Zero Energy Home
Built in 2010
“Reduce before you produce”

“Generate as much energy as expected to use”
HIGHLIGHTS OF A BUILT TO ORDER ZEROHOUSE 2.0

1. WALL ASSEMBLY
High-performance wall systems help create optimal indoor energy efficiency. Additional insulation reduces outdoor heat transfer.

2. ROOF ASSEMBLY
An integrated Owens Corning® EnergyComplete® home insulation system seals the attic and achieves more climate control and energy savings than traditional attic construction.

3. ENERGY STAR SMART APPLIANCES
Whirlpool® ENERGY STAR certified appliances use up to 30% less energy than standard appliances. This is the first new home to showcase small appliances that can easily shift energy consumption to off-peak times and can be controlled while away from home.

4. LIGHTING
LED recessed lights save energy and are designed to last much longer than conventional incandescent or fluorescent light bulbs.

5. HEATING & COOLING
The Carrier® 12 SEER heat pump can operate in low-energy mode most of the time. The programmable thermostat can help reduce heating and cooling costs by up to $100 per year. And you can adjust it while away from home.

6. LOW-E WINDOWS
Low-E, dual-pane, argon gas-filled windows help regulate indoor air temperatures, reduce radiant energy loss by up to 15% and protect furnishings from UV glare.

7. ENERGY MANAGEMENT SYSTEM
The intuitive energy management system allows you to track energy usage, as well as solar electricity production, in real time on your iPad® or smartphone. Remotely control lights, monitor the front door and activate the home security system via your smart device. Use the USB smart sensor ports to avoid overcharging devices.

8. SOLAR THERMAL WATER HEATER
The Weather® solar water heater can save you up to 80% on water heating costs.

9. SOLAR TECHNOLOGY
From sunrise to sunset, the Sunpower® solar power system automatically converts sunlight to electricity and helps reduce energy costs.

10. WATERSENSE LABELED HOME
A Watersense® labeled home allows you to do more at home while using less water, energy and money on utilities. This means faucets, toilets and showerheads use up to 30% less water than standard models.

11. NET-ZERO ENERGY EXTRAS
The natural residential electric vehicle (EV) charger is an easy-to-install and energy-friendly solution for recharging vehicles at home. Additionally, to protect the electronic devices in your home, you can choose a built-in whole-home surge protection device.
Two Zeros Are Better Than One

- First home with net-zero energy and zero freshwater for irrigation
- Two state-of-the-art water recycling systems
- Real-time water usage monitor
- Estimated $4,400 in annual energy & water cost savings versus resale home