



Corporate Governance Principles

(Revised October 6, 2016)

KB Home's Board of Directors believes that sound corporate governance practices provide an important framework to assist the Board in fulfilling its responsibilities. Accordingly, the Board has adopted the following Corporate Governance Principles relating to its functions, structure and operations. The Board will periodically review and revise these Principles and other aspects of KB Home's corporate governance from time to time to reflect evolving governance practices.

I. Role, Conduct and Function of the Board

A. General Roles of the Board and Management. The Board is elected by the Company's stockholders to oversee the management of the business and affairs of the Company and to assure that the long-term interests of the stockholders are being served. The Company's business is conducted by its employees under the direction of the Chief Executive Officer and the oversight of the Board to enhance the long-term value of the Company for its stockholders.

B. Board Conduct. In carrying out their responsibilities, Directors are expected to exercise appropriate diligence and their business judgment to act in good faith and in what they reasonably believe to be in the best interests of the Company and its stockholders, consistent with their fiduciary duties under applicable law. Directors must also comply with the Company's Ethics Policy.

C. Functions of Board. The primary functions of the Board are to oversee management performance on behalf of stockholders, to monitor adherence to Company standards and policies, to promote responsible and ethical corporate practices, and generally to perform the duties and responsibilities assigned to the Board by the laws of the State of Delaware, the state where the Company is incorporated.

In addition to its general oversight of management, the Board as a whole or through its Committees also performs a number of specific functions, including:

- Providing advice and counsel to the Chief Executive Officer and senior management;
- Selecting, evaluating and establishing the compensation of senior management and planning for senior management succession, including for the Chief Executive Officer;
- Reviewing, approving and monitoring the implementation of the Company's financial, personnel development, and business and strategic plans;
- Reviewing and approving significant corporate actions and major transactions as well as transactions with related parties and other potential conflicts of interest;
- Overseeing the establishment of and monitoring compliance with internal policies, controls and processes designed to ensure the integrity of the Company's actions and operations, including its financial statements and financial and other regulatory reporting, its relationships with customers, subcontractors, suppliers and other constituencies, and its compliance with law and its Ethics Policy; and

- Reviewing assessments of and senior management's plans with respect to significant risks facing the Company.

D. Confidentiality. The meetings and deliberations of the Board and its Committees are confidential. Each current and former Director shall at all times maintain the confidentiality of Board and Committee proceedings and of any non-public information about the Company obtained in connection with their service as a Director.

II. Selection and Qualifications of Directors

A. Board Membership Qualifications. Directors should possess the highest personal and professional ethics, integrity, judgment and values, and be committed to representing the long-term interests of the Company's stockholders. Directors should also have an inquisitive and objective perspective, and be able and willing to dedicate the time necessary to Board and Committee service. All Directors should be financially literate, as determined by the Board in its business judgment.

The Nominating and Corporate Governance Committee of the Board is responsible for reviewing on a regular basis the requisite skills and characteristics of Board members, as well as the composition of the Board as a whole. Current Directors are re-evaluated by the Committee prior to being nominated for re-election. The Committee assesses current and potential Directors in view of the perceived needs of the Board at the time the assessment is made and may consider the following attributes, among others:

- Personal qualities, accomplishments and reputation in the business community;
- Financial literacy, financial and accounting expertise, and significant business, academic or government experience in leadership positions or at senior policy-making levels;
- Geographical representation in areas relevant to the Company;
- Diversity of background and personal experience;
- The fit of the individual's abilities and personality with those of current and potential Directors in building a Board that is effective, collegial and responsive to the needs of the Company; and
- Independence as defined in these Principles and an absence of conflicting time commitments.

B. Director Nominations. The Nominating and Corporate Governance Committee is responsible for recommending a slate of Directors for election to the Board at the Company's Annual Stockholders Meetings and for identifying, investigating and recommending qualified Director candidates to the Board to fill openings that may arise due to vacancies, resignations, retirements or other reasons. The Committee identifies potential Director candidates through a variety of means, including the recommendations of current Board members, professional search firms, stockholders or other persons. Stockholders may recommend a candidate for the Committee's consideration by submitting in accordance with the Company's By-laws the candidate's name and qualifications to the Company's Corporate Secretary at the address set forth below.

C. Invitations to Potential Directors. The invitation to a potential new Director to join the Board should be extended by the entire Board through the Chairman of the Board or the Chair of the Nominating and Corporate Governance Committee.

D. New Director Orientation and Education. New Directors will receive an initial orientation and personal briefings by senior management on the Company's operations. In addition, the Corporate Secretary and other members of senior management will periodically provide materials or briefings to Directors on subjects that will assist Directors in discharging their duties. Directors are encouraged to attend continuing education programs that are relevant to their duties as a Director.

III. Board Leadership, Composition and Performance

A. Chairman of the Board and Lead Independent Director. The Board shall elect a Chairman of the Board in conjunction with each Annual Stockholders Meeting, and the Director elected to the position may be removed as Chairman of the Board and replaced by another Director on the vote of a majority of the Board. The Board may elect an independent Director as Chairman of the Board or, if the Board believes it to be appropriate and in the best interests of stockholders, elect as Chairman of the Board a Director who is also the Chief Executive Officer together with a separate Lead Independent Director. A Director elected as Lead Independent Director may be removed from the position and replaced by any other independent Director on the vote of a majority of the Board. In addition to the responsibilities, duties and functions specified in these Principles, an independent Chairman of the Board shall be responsible for coordinating the activities of the Board, except to the extent the Board designates any such responsibilities, duties and functions to another Director or Directors. The Lead Independent Director shall have the following responsibilities, duties and functions:

- Preside at all meetings of the Board at which the Chairman of the Board is not present, and at all executive sessions of the non-employee Directors;
- Serve as liaison between the Chairman of the Board and the non-employee Directors;
- Consult with the Chairman of the Board, Board Committee chairs and other non-employee Directors (as appropriate) regarding meeting agendas and schedules to assure that there is sufficient time for discussion of all agenda items, and regarding the content and flow of information to the Board;
- Organize and preside at meetings of the non-employee Directors at any time and for any purpose;
- Provide Board leadership if there is (or there is perceived to be) a conflict of interest with respect to the role of a Chairman of the Board who is also the Chief Executive Officer;
- If requested by major stockholders, being available to them for consultation and communication as appropriate; and
- Any such additional responsibilities, duties and functions as set forth in these Principles or the Company's By-Laws, or as may otherwise be determined by the Board from time to time.

B. Non-Employee Directors Executive Session. Non-employee Directors shall meet in executive session without management present at every regularly-scheduled Board meeting. The non-employee Directors may meet in executive session without management present at such other times as they may determine as part of any properly called meeting, and any non-employee Director can request such additional executive sessions. The Chairman of the Board, or, as noted above, the Lead Independent Director, if one is elected, or a designated independent Director will preside at all executive sessions.

C. Size of the Board. The Board will establish and from time to time adjust the Board's size based on the recommendations of the Nominating and Corporate Governance Committee as to the Board's appropriate size, subject to the terms of the Company's By-laws.

D. Independence of Directors. A substantial majority of Directors shall be independent as defined under these Principles, the rules of the Securities and Exchange Commission and the rules of the New York Stock Exchange, as each may be amended from time to time.

To be considered independent, the Board shall affirmatively determine that each Director does not have any direct or indirect material commercial or charitable relationship with the Company based on all relevant facts and circumstances. Such determination will be made annually based on information supplied by Directors and other sources, and the prior review and recommendation of the Nominating and Corporate Governance Committee. Each Director shall promptly inform the Chair of the Committee of any change of circumstances that could affect the Director's independence.

The Board has established the following guidelines to assist it in determining Director independence:

- A Director is not independent if, within the three years preceding the determination:
 - (i) the Director was an employee, or an immediate family member was an executive officer, of the Company or any of its subsidiaries;
 - (ii) the Director or an immediate family member of the Director received more than \$120,000 in direct compensation from the Company or any of its subsidiaries during any twelve-month period, other than (1) fees for service on the Board or a Committee thereof or on a subsidiary's board of directors or a committee thereof and (2) pension and other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);
 - (iii) the Director or an immediate family member was (but is no longer) a partner or employee of a firm that is the Company's internal or external auditor and personally worked on the Company's audit within that time; or
 - (iv) a Company executive officer was on the compensation committee of the board of directors of a company which at the same time employed as an executive officer the Director or an immediate family member of the Director.
- In addition, a Director is not independent if (i) the Director is a current partner or employee, or an immediate family member is a current partner, of a firm that is the Company's internal or external auditor; or (ii) the Director has an immediate family member who is a current employee of such a firm and who personally works on the Company's audit.
- A Director's independence will not be impaired if:
 - (i) the Director is an employee of, or an immediate family member is an executive officer of, another company that does business with or provides professional services to the Company or any of its subsidiaries and the annual revenue derived from that business or such services by either company, in any of the last three fiscal years, does not exceed the greater of (1) \$1,000,000 or (2) two percent of the consolidated gross revenues of either such company;
 - (ii) the Director serves as an officer, director or trustee of a charitable organization, and the Company's discretionary charitable contributions in any single fiscal year to the organization within the three years preceding a determination do not exceed the greater of (1) \$100,000 or (2) two percent of the organization's consolidated gross revenues; or
 - (iii) the Director or an immediate family member is an executive officer of another company which is indebted to the Company or to which the Company is indebted where the total amount of indebtedness (to and of the Company) does not exceed two percent of the total consolidated assets of such other company or the Company at the end of the previous fiscal year.

The Board retains the sole right to interpret and apply the foregoing guidelines in determining the materiality of any relationship. For a relationship with a Director that is not covered by the foregoing guidelines or Section III.F below, the materiality of the relationship shall be determined by the non-employee Directors.

E. Employee Directors. No more than one Director may be an employee of the Company. Employee Directors do not receive any additional compensation for Board service.

F. Ineligible Individuals. Consultants, lawyers or bankers who do a significant amount of business with the Company are not eligible to serve as a Director. Determinations regarding the eligibility of candidates in this regard are made by the Nominating and Corporate Governance Committee.

G. Former Chief Executive Officer's Board Membership. When a Chief Executive Officer who is also a Director resigns his or her position as Chief Executive Officer, he or she will also resign from the Board.

H. Changes in Status. When a current Director's principal occupation or business association changes, or in the event of a significant change in a current Director's personal circumstances, the Director shall tender a conditional letter of resignation to the Chair of the Nominating and Corporate Governance Committee. The Committee will review such change and will recommend to the full Board whether to accept the resignation and any other appropriate action.

I. Term Limits. There are no term limits on Board service.

J. Retirement Age. Directors must retire as of the first Annual Stockholders Meeting following their 75th birthday.

K. Limitation on Other Board Service. A Director who also serves as a chief executive officer or in an equivalent position for a public company should not serve on more than two other boards of public companies in addition to the Board. A Director who is not an active chief executive officer or in an equivalent position for a public company should not serve on more than five other boards of public companies in addition to the Board. Regardless of the foregoing limits, a current Director should consider whether accepting a new directorship would compromise the Director's ability to perform his or her present Board responsibilities and must consult with the Chairman of the Board or the Chair of the Nominating and Corporate Governance Committee prior to joining another board of directors. The Chairman of the Board and the Chair of Nominating and Corporate Governance Committee will together assess whether the new directorship would present a conflict or otherwise compromise the ability of that Director to dedicate the time necessary to serve on the Board.

L. Stock Ownership Requirement. Each Non-employee Director is required to own at least five times the board retainer (currently, \$500,000) in value of KB Home common stock or common stock equivalents by the fifth anniversary of joining the Board; provided that each Non-employee Director serving on the Board as of October 9, 2014 is required to reach such ownership by the fifth anniversary of that date. For these purposes, a common stock equivalent means any instrument granted to a Director as compensation for the Director's service on the Board reflecting the right to receive a share of KB Home common stock (other than by means of a right to purchase) or a cash payment equal to the value of a share of KB Home common stock.

M. Self-Evaluation. The Board and each of its Standing Committees will conduct an annual self-evaluation of its performance. The Chairman of the Board (or the Lead Independent Director, if one is elected) and the Chair of the Nominating and Corporate Governance Committee will oversee the self-evaluation process.

N. Director Compensation. The Management Development and Compensation Committee is responsible for recommending to the full Board compensation for non-employee Directors. In discharging this duty, the Committee is guided by three goals: the compensation should be sufficient to assist in the recruiting of the highest caliber Directors to the Board; compensation should align Directors' interests with the long-term interests of the Company's stockholders; and compensation should fairly pay Directors for work required to diligently serve the interests of stockholders given the Company's size, scope and complexity of operations.

O. Attendance at Annual Stockholders, Board and Committee Meetings. Directors are expected to use their best efforts to attend all Annual Stockholders Meetings and all meetings of the Board and Committees on which they serve.

P. Majority Vote Requirement. In accordance with the Company's By-laws, if no stockholders provide the Company with notice of an intention to nominate one or more candidates to compete with the Board's nominees in a Director election at a meeting of the stockholders of the Company, or if stockholders have withdrawn all such nominations by the day before the Company delivers its notice of a relevant meeting to stockholders (either, an "uncontested election"), a nominee must receive more votes cast for than against his or her election in order to be elected to the Board. The Board expects a Director to tender his or her resignation if he or she fails to receive in an uncontested election such required number of votes for election to the Board. The Board shall nominate for election as a Director only candidates who agree to tender, before or promptly following the Annual Stockholders Meeting at which they are elected as a Director, irrevocable conditional resignations substantially in the form of Exhibit A hereto. In addition, the Board shall fill Director vacancies and new directorships only with candidates who agree to tender, before or promptly following their appointment to the Board, irrevocable conditional resignations substantially in the form of Exhibit A hereto. If a Director fails to receive in an uncontested election the required vote for election to the Board as set forth in this Section III.P, the Nominating and Corporate Governance Committee will act on an expedited basis to determine whether to accept the Director's resignation and will submit such recommendation for prompt consideration by the Board. The Board expects the Director whose resignation is under consideration to abstain from participating in any decision regarding that resignation. The Nominating and Corporate Governance Committee and the Board may consider any factors they deem relevant in deciding whether to accept a Director's resignation.

IV. Board Relationship to Senior Management and Outside Advisors

A. Access to Senior Management and Independent Advisors. Directors are encouraged to contact senior management directly to discuss matters related to the Company's business. Directors shall be entitled to rely in good faith on the advice, reports and opinions of the Company's officers, employees, outside advisors (including counsel) and independent auditors. The Board and its Committees shall have the right at any time and at the Company's expense to retain independent outside financial, legal or other advisors. These advisors may be regular advisors to the Company.

B. Attendance of Non-Directors at Board Meetings. Senior management and other Company employees may be invited to attend meetings of the Board and of any Committee to provide information or insight on agenda items or other matters, to bring high potential individuals in contact with Directors, or to otherwise support Board or Committee business. The Board and its Committees may also invite outside advisors to attend relevant portions of meetings.

V. Meeting Procedures

A. Selection of Agenda Items for Board Meetings. The Chairman of the Board (or, as noted above, the Lead Independent Director, if one is elected) in consultation with the Chief Executive Officer

establishes the agenda for each Board meeting. Each Director is encouraged to suggest items for the agenda.

B. Meeting Materials and Preparation. Senior management will distribute written information relevant to understanding the Company's business or meeting agenda items approximately one week before each regularly-scheduled Board meeting. Directors are responsible for reviewing this information in preparing for each Board and relevant Committee meeting.

C. Number of Board Meetings. The Board currently schedules four regular meetings per year, with additional meetings to occur (or action to be taken by unanimous written consent) as deemed necessary. From time to time, the Board may hold meetings in one of the Company's primary geographical markets in order to visit various KB Home communities in that market.

VI. Board Committees

A. Number, Structure and Independence of Committees. From time to time, the Board may want to form or disband Committees (or subcommittees) depending upon the circumstances. The current Standing Committees of the Board are: Audit and Compliance, Management Development and Compensation, and Nominating and Corporate Governance. Standing Committee membership will consist only of Directors who are determined to be independent under these Principles and who may serve on such Standing Committees under applicable rules of the Securities and Exchange Commission and the New York Stock Exchange, as each may be amended from time to time.

B. Assignment and Rotation of Standing Committee Members. The Nominating and Corporate Governance Committee is responsible, after consultation with the Chairman of the Board (or the Lead Independent Director, if one is elected) and in consideration of the desires of individual Board members, for the assignment of Directors to the Standing Committees. It is the sense of the Board that consideration should be given to rotating Standing Committee members at five-year intervals, but the Board does not feel that such rotation should be required since there may be reasons at a given point in time to maintain an individual Director's Standing Committee membership for a longer period. Membership in other Committees of the Board (or any subcommittees) may be determined or ratified by the full Board or the Chairman of the Board (or the Lead Independent Director, if one is elected).

C. Standing Committee Meetings and Reports to the Board. The Chair of each Standing Committee, in consultation with the other members of the Committee, determines the frequency and length of the meetings of that Committee. Each Standing Committee Chair reports on the activities of his or her Committee to the full Board. Standing Committee meetings are generally held in conjunction with meetings of the full Board, although additional Committee meetings may be held from time to time between Board meetings.

D. Standing Committee Agenda. The Chair of each Standing Committee, in consultation with the members of the Committee and senior management, will develop the Committee's agenda for each Committee meeting.

E. Standing Committee Charters. The Standing Committees shall each have a Charter that is consistent with these Principles and which further articulates the roles and responsibilities of each Committee. Each Charter is approved by the full Board and is reviewed regularly by the relevant Committee to assure that it reflects pertinent developments in corporate governance and the practices of the Committee.

VII. Leadership Development

A. Chief Executive Officer and Senior Management Evaluation. The Management Development and Compensation Committee annually evaluates the Chief Executive Officer's performance against the goals and objectives the Committee has established for the relevant year and other criteria, and, as a Committee or with the other independent Directors (as directed by the Board), determines and approves the Chief Executive Officer's compensation based on the evaluation. The Committee also evaluates, in conjunction with the Chief Executive Officer, the performance of the Chief Executive Officer's direct reports and other senior management, and reviews and approves the compensation of these individuals.

B. Succession Plans. Through the Management Development and Compensation Committee, the Board oversees the maintenance of a succession plan for the Chief Executive Officer and, in conjunction with the Chief Executive Officer, a development and promotion process with respect to other senior management positions.

VIII. Communications

A. Website Posting. These Principles, as well as the Charters of each Committee and the Company's Ethics Policy, are to be posted on the Company's web site (www.kbhome.com), and copies are to be made available upon request to the Corporate Secretary at the address set forth below.

B. Communicating with the Board. Stockholders and other individuals may communicate with the Board or specifically with non-employee Directors by writing to the Corporate Secretary, KB Home, 10990 Wilshire Boulevard, Los Angeles California 90024. The Corporate Secretary or the Assistant Corporate Secretary reviews all such correspondence promptly upon receipt and will forward it, as he or she determines appropriate, to the Chairman of the Board, to the Lead Independent Director, if one is elected, to an individual Director and/or to a Committee Chair. Directors who receive such correspondence determine, individually or with other Directors and/or senior management, whether and how to respond. Items determined to be unrelated to Board duties and responsibilities will not be forwarded to Directors, including, but not limited to, mass mailings, business proposals, job inquiries, routine customer service complaints, product or service suggestions, opinion surveys, and offensive or inappropriate materials.

C. Company Communications. The Board believes that management, and, in particular, the Chief Executive Officer, speaks for the Company.

EXHIBIT A

Form Resignation

[Date]

KB Home
10990 Wilshire Boulevard
Los Angeles California, 90024

Attention: Chairman of the Board of Directors and Chair of the Nominating and Corporate Governance Committee

In accordance with the Corporate Governance Principles of the Board of Directors of KB Home (the “Company”) regarding majority voting in Director elections, I hereby tender my resignation as a Director of the Company, provided that this resignation shall be effective only if (i) I fail to receive in an uncontested election more votes cast for than against my election to the Board at a meeting of the stockholders of the Company at which my seat on the Board is subject to election (the “Applicable Meeting”) and (ii) the Board accepts this resignation following such failure. However, if I fail to receive in an uncontested election more votes cast for than against my election to the Board at an Applicable Meeting, this resignation will remain in effect following such Applicable Meeting, but will be deemed withdrawn if and when the Board decides not to accept this resignation.

Very truly yours,

Director