SUSTAINABILITY ACCOUNTING STANDARD
INFRASTRUCTURE SECTOR

HOME BUILDERS
Sustainability Accounting Standard

Sustainable Industry Classification System™ (SICS™) #IF0401

Prepared by the
Sustainability Accounting Standards Board®

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Provisional Standard

www.sasb.org

HOME BUILDERS

Sustainability Accounting Standard

About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly-listed corporations in the U.S. in disclosing material sustainability information for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization. Through 2016, SASB is developing standards for 79 industries in 10 sectors.

SUSTAINABILITY ACCOUNTING STANDARDS BOARD

1045 Sansome Street, Suite 450
San Francisco, CA 94111
415.830.9220
info@sasb.org

www.sasb.org

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INTRODUCTION

Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for the Home Builders industry.

SASB Sustainability Accounting Standards are comprised of **(1) disclosure guidance and (2) accounting standards on sustainability topics** for use by U.S. and foreign public companies in their annual filings (Form 10-K or 20-F) with the U.S. Securities and Exchange Commission (SEC). To the extent relevant, SASB Standards may also be applicable to other periodic mandatory filings with the SEC, such as the Form 10-Q, Form S-1, and Form 8-K.

SASB Standards identify sustainability topics at an industry level, which may constitute material information—depending on a company's specific operating context—for a company within that industry. SASB Standards are intended to provide guidance to company management, which is ultimately responsible for determining which information is material and should therefore be included in its Form 10-K or 20-F and other periodic SEC filings.

SASB Standards provide companies with standardized sustainability metrics designed to communicate performance on industry level sustainability topics. When making disclosure on sustainability topics, companies can use SASB Standards to help ensure that disclosure is standardized and therefore decision-useful, relevant, comparable, and complete.

SASB Standards are intended to constitute "suitable criteria" as defined by AT 101.23 -. 32[1] and referenced in AT 701[2], as having the following attributes:

- *Objectivity*—Criteria should be free from bias.
- *Measurability*—Criteria should permit reasonably consistent measurements, qualitative or quantitative, of subject matter.
- *Completeness*—Criteria should be sufficiently complete so that those relevant factors that would alter a conclusion about subject matter are not omitted.
- *Relevance*—Criteria should be relevant to the subject matter.

Industry Description

The Home Builders industry is comprised of companies that develop new homes and residential communities. Development efforts generally include the acquisition of land, site preparation, the construction of homes, and home sales. The majority of industry activity is focused on the development and sale of single-family homes, which are typically part of company-designed residential communities. A smaller segment is centered on townhomes, condominiums, multi-family housing, and mixed-use development. Many companies in the industry offer financing services to individual homebuyers. The industry is fragmented, as there are a large number of developers of all sizes operating across the U.S., generally in a relatively narrow set of targeted geographical markets. Listed companies

[1] http://pcaobus.org/Standards/Attestation/Pages/AT101.aspx#at_101_fn7
[2] http://pcaobus.org/Standards/Attestation/Pages/AT701.aspx

tend to be significantly larger, and more integrated than the numerous privately held home builders. The vast majority of industry activity for U.S.-listed companies is located in the U.S.

Guidance for Disclosure of Sustainability Topics in SEC Filings

1. Industry-Level Sustainability Topics

For the Home Builders industry, SASB has identified the following sustainability disclosure topics:

- Land Use & Ecological Impacts
- Workforce Health & Safety
- Design for Resource Efficiency
- Community Impacts of New Developments
- Climate Change Adaptation

2. Company-Level Determination and Disclosure of Material Sustainability Topics

Sustainability disclosures are governed by the same laws and regulations that govern disclosures by securities issuers generally. According to the U.S. Supreme Court, a fact is material if, in the event such fact is omitted from a particular disclosure, there is "a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of the information made available."[3,4]

SASB has attempted to identify those sustainability topics that are reasonably likely to have a material effect on the financial condition or operating performance of companies within each SICS industry. SASB recognizes, however, that each company is ultimately responsible for determining what information should be disclosed within the context of Regulation S-K and other guidance.

Regulation S-K, which sets forth certain disclosure requirements associated with Form 10-K and other SEC filings, requires companies, among other things, to describe in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of Form 10-K "any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed."

Furthermore, Instructions to Item 303 state that the MD&A "shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition."[2]

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[3] TSC Industries v. Northway, Inc., 426 U.S. 438 (1976).
[4] C.F.R. 229.303(Item 303)(a)(3)(ii).

The SEC has provided guidance for companies to use in determining whether a trend or uncertainty should be disclosed. The two-part assessment prescribed by the SEC, based on probability and magnitude, can be applied to the topics included within this standard:

- First, a company is not required to make disclosure about a known trend or uncertainty if its management determines that such trend or uncertainty is not reasonably likely to occur.

- Second, if a company's management cannot make a reasonable determination of the likelihood of an event or uncertainty, then disclosure is required unless management determines that a material effect on the registrant's financial condition or results of operation is not reasonably likely to occur.

3. Sustainability Accounting Standard Disclosures in Form 10-K

a. Management's Discussion and Analysis

For purposes of comparability and usability, companies should consider making disclosure on sustainability topics in the MD&A, in a sub-section titled "**Sustainability Accounting Standards Disclosures**."[5]

b. Other Relevant Sections of Form 10-K

In addition to the MD&A section, it may be relevant for companies to disclose sustainability information in other sections of Form 10-K, including, but not limited to:

- **Description of business**—Item 101 of Regulation S-K requires a company to provide a description of its business and its subsidiaries. Item 101(c)(1)(xii) expressly requires disclosure regarding certain costs of complying with environmental laws:

Appropriate disclosure also shall be made as to the material effects that compliance with Federal, State and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, may have upon the capital expenditures, earnings and competitive position of the registrant and its subsidiaries.

- **Legal proceedings**—Item 103 of Regulation S-K requires companies to describe briefly any material pending or contemplated legal proceedings. Instructions to Item 103 provide specific disclosure requirements for administrative or judicial proceedings arising from laws and regulations that target discharge of materials into the environment or that are primarily for the purpose of protecting the environment.

- **Risk factors**—Item 503(c) of Regulation S-K requires filing companies to provide a discussion of the most significant factors that make an investment in the registrant speculative or risky, clearly stating the risk and specifying how a particular risk affects the particular filing company.

[5] SEC [Release Nos. 33-8056; 34-45321; FR-61] Commission Statement about Management's Discussion and Analysis of Financial Condition and Results of Operations: "We also want to remind registrants that disclosure must be both useful and understandable. That is, management should provide the most relevant information and provide it using language and formats that investors can be expected to understand. Registrants should be aware also that investors will often find information relating to a particular matter more meaningful if it is disclosed in a single location, rather than presented in a fragmented manner throughout the filing."

c. Rule 12b-20

Securities Act Rule 408 and Exchange Act Rule 12b-20 require a registrant to disclose, in addition to the information expressly required by law or regulation, "such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading."

More detailed guidance on disclosure of sustainability topics can be found in the **SASB Conceptual Framework**, available for download via http://www.sasb.org/approach/conceptual-framework/.

Guidance on Accounting for Sustainability Topics

For each sustainability topic included in the Home Builders Industry Sustainability Accounting Standard, SASB identifies accounting metrics.

SASB recommends that each company consider using these sustainability accounting metrics when preparing disclosures on the sustainability topics identified herein;

As appropriate—and consistent with Rule 12b-20[6]—when disclosing a sustainability topic identified by this Standard, companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability of the data reported. Where not addressed by the specific accounting metrics, but relevant, the registrant should discuss the following, related to the topic:

- The registrant's **strategic approach** to managing performance on material sustainability issues;
- The registrant's **relative performance** with respect to its peers;
- The **degree of control** the registrant has;
- Any **measures the registrant has undertaken** or **plans to undertake** to improve performance; and
- Data for the registrant's **last three completed fiscal years** (when available).

SASB recommends that registrants use SASB Standards specific to their primary industry as identified in the Sustainable Industry Classification System (SICS™). If a registrant generates significant revenue from multiple industries, SASB recommends that it also consider sustainability topics that SASB has identified for those industries and disclose the associated SASB accounting metrics.

In disclosing to SASB Standards, it is expected that registrants disclose with the same level of rigor, accuracy, and responsibility as they apply to all other information contained in their SEC filings.

[6] SEC Rule 12b-20: "In addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they are made, not misleading."

Users of the SASB Standards

The SASB Standards are intended to provide guidance for companies that engage in public offerings of securities registered under the Securities Act of 1933 (the Securities Act) and those that issue securities registered under the Securities Exchange Act of 1934 (the Exchange Act),[7] for use in SEC filings, including, without limitation, annual reports on Form 10-K (Form 20-F for foreign issuers), quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. Disclosure with respect to the SASB Standards is not required or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

Scope of Disclosure

Unless otherwise specified, SASB recommends:

- That a registrant disclose on sustainability issues and metrics for itself and for entities that are consolidated for financial reporting purposes as defined by accounting principles generally accepted in the United States for consistency with other accompanying information within SEC filings;[8]

- That for consolidated entities, disclosures be made, and accounting metrics calculated, for the whole entity, regardless of the size of the minority interest; and

- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. A registrant should disclose, however, information about unconsolidated entities to the extent that the registrant considers the information necessary for investors to understand the effect of sustainability topics on the company's financial condition or operating performance (typically, this disclosure would be limited to risks and opportunities associated with these entities).

Reporting Format

Use of Financial Data

In instances where accounting metrics, activity metrics, and technical protocols in this standard incorporate financial data (e.g., revenues, cost of sales, expenses recorded and disclosed for fines, etc.), such financial data shall be prepared in accordance with the accounting principles generally accepted in the United States of America ("US GAAP") and be consistent with the corresponding financial data reported within the registrant's SEC filings. Should accounting metrics, activity metrics and technical protocols in this standard incorporate disclosure of financial data that is not prepared in accordance with US GAAP, the registrant shall disclose such information in accordance with the SEC Regulation G.

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[7] Registration under the Securities Exchange Act of 1934 is required (1) for securities to be listed on a national securities exchange such as the New York Stock Exchange, the NYSE Amex, and the NASDAQ Stock Market or (2) if (A) the securities are equity securities and are held by more than 2,000 persons (or 500 persons who are not accredited investors) and (B) the company has more than $10 million in assets.

[8] See US GAAP consolidation rules (Section 810).

Activity Metrics and Normalization

SASB recognizes that normalizing accounting metrics is important for the analysis of SASB disclosures.

SASB recommends that a registrant disclose any basic business data that may assist in the accurate evaluation and comparability of disclosure, to the extent that they are not already disclosed in the Form 10-K (e.g., revenue, EBITDA, etc.).

Such data—termed "activity metrics"—may include high-level business data such as total number of employees, quantity of products produced or services provided, number of facilities, or number of customers. It may also include industry-specific data such as plant capacity utilization (e.g., for specialty chemical companies), number of transactions (e.g., for Internet media and services companies), hospital bed days (e.g., for health care delivery companies), or proven and probable reserves (e.g., for oil and gas exploration and production companies).

Activity metrics disclosed should:

- Convey contextual information that would not otherwise be apparent from SASB accounting metrics.
- Be deemed generally useful for an investor relying on SASB accounting metrics in performing their own calculations and creating their own ratios.
- Be explained and consistently disclosed from period to period to the extent they continue to be relevant. However, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant or if a better metric becomes available.[9]

Where relevant, SASB recommends specific activity metrics that—at a minimum—should accompany SASB accounting metric disclosures.

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Number of controlled lots[10]	Quantitative	Number	IF0401-A
Number of homes delivered[11]	Quantitative	Number	IF0401-B
Number of active selling communities[12]	Quantitative	Number	IF0401-C

[9] *Improving Business Reporting: Insights into Enhancing Voluntary Disclosures*, FASB Business Reporting Research Project, January 29, 2001.

[10] Note to **IF0401-A**—Controlled lots include those that are either directly owned or contractually available for ownership through option contracts or the equivalent as of the last day of the fiscal year.

[11] Note to **IF0401-B**—Homes include single-family dwelling units whether detached, attached, or part of multi-family residential buildings.

[12] Note to **IF0401-C**—Active selling communities include those communities or developments open for sales with at least five homes or lots remaining to sell as of the last day of the fiscal year.

Units of Measure

Unless specified, disclosures should be reported in International System of Units (SI units).

Uncertainty

SASB recognizes that there may be inherent uncertainty when disclosing certain sustainability data and information. This may be related to variables such as the reliance on data from third-party reporting systems and technologies, or the unpredictable nature of climate events. Where uncertainty around a particular disclosure exists, SASB recommends that the registrant should consider discussing its nature and likelihood.

Estimates

SASB recognizes that scientifically based estimates, such as the reliance on certain conversion factors or the exclusion of *de minimis* values, may occur for certain quantitative disclosures. Where appropriate, SASB does not discourage the use of such estimates. When using an estimate for a particular disclosure, SASB expects that the registrant discuss its nature and substantiate its basis.

Timing

Unless otherwise specified, disclosure shall be for the registrant's fiscal year.

Limitations

There is no guarantee that SASB Standards address all sustainability impacts or opportunities associated with a sector, industry, or company, and therefore, a company must determine for itself the topics—sustainability-related or otherwise—that warrant discussion in its SEC filings.

Disclosure under SASB Standards is voluntary. It is not intended to replace any legal or regulatory requirements that may be applicable to user operations. Where such laws or regulations address legal or regulatory topics, disclosure under SASB Standards is not meant to supersede those requirements. Disclosure according to SASB Standards shall not be construed as demonstration of compliance with any law, regulation, or other requirement.

SASB Standards are intended to be aligned with the principles of materiality enforced by the SEC. However, SASB is not affiliated with or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

Forward-looking Statements

Disclosures on sustainability topics can involve discussion of future trends and uncertainties related to the registrant's operations and financial condition, including those influenced by external variables (e.g., environmental, social, regulatory, and political). Companies making such disclosures should familiarize themselves with the safe harbor provisions of Section 27A of the Securities Act and Section 21E of the Exchange Act, which preclude civil liability for material misstatements or omissions in such statements if the registrant takes certain steps, including, among other things, identifying the disclosure as "forward-looking" and accompanying such disclosure with "meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward-looking statements."

The following sections contain the disclosure guidance associated with each accounting metric such as guidance on definitions, scope, accounting, compilation, and presentation.

The term "shall" is used throughout this document to indicate those elements that reflect requirements of the Standard. The terms "should" and "may" are used to indicate guidance, which, although not required, provides a recommended means of disclosure.

Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Land Use & Ecological Impacts	Number of (1) lots and (2) homes delivered on redevelopment sites	Quantitative	Number	IF0401-01
	Number of (1) lots and (2) homes delivered in regions with High or Extremely High Baseline Water Stress	Quantitative	Number	IF0401-02
	Amount of legal and regulatory fines and settlements associated with environmental regulations[13]	Quantitative	U.S. Dollars ($)	IF0401-03
	Description of process to integrate environmental considerations into site selection, site design, and site development and construction	Discussion and Analysis	n/a	IF0401-04
Workforce Health & Safety	(1) Total recordable injury rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	Quantitative	Rate	IF0401-05
Design for Resource Efficiency	(1) Number of homes that obtained a certified HERS® Index Score and (2) average score	Quantitative	Number, Index score	IF0401-06
	Percentage of installed water fixtures certified to EPA WaterSense® specifications	Quantitative	Percentage (%)	IF0401-07
	Number of homes delivered certified to a multi-attribute green building standard	Quantitative	Number	IF0401-08
	Discussion of risks and opportunities related to incorporating resource efficiency into home design and description of how benefits are communicated to customers	Discussion and Analysis	n/a	IF0401-09
Community Impacts of New Developments	Discussion of how proximity and access to infrastructure and community services affect site selection and development decisions	Discussion and Analysis	n/a	IF0401-10
	Number of (1) lots and (2) homes delivered on infill sites	Quantitative	Number	IF0401-11
	(1) Number of homes delivered in compact developments and (2) average density	Quantitative	Number	IF0401-12

[13] Note to **IF0401-03**—Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

Table 1. Sustainability Disclosure Topics & Accounting Metrics (cont.)

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Climate Change Adaptation	Number of lots located in FEMA Special Flood Hazard Areas or foreign equivalent	Quantitative	Number	IF0401-13
	Description of climate change risk exposure analysis, degree of systematic portfolio exposure, and strategies for mitigating risks	Discussion and Analysis	n/a	IF0401-14

Land Use & Ecological Impacts

Description

Home builders face challenges directly related to the ecological impacts of development activities. Developments often take place on previously undeveloped land, and companies must manage the ecosystem disruption of construction activities, as well as the regulations and permitting processes that accompany "greenfield" land development. Regardless of the siting decisions companies make, industry development activities generally carry risks related to land and water contamination, mismanagement of waste, and excessive strain on water resources during the construction and use phases. Violation of environmental regulations can result in costly fines and delays that decrease financial returns while potentially harming reputations. Companies with repeated violations or track records of prior activities with excessive ecological impacts may find it difficult to receive approval from local communities for new developments, thereby decreasing future revenue and market share. Companies that concentrate development efforts in water-stressed regions may see further challenges to permitting approvals, and also face risks related to land or home depreciation because of water shortage concerns. Environmental quality control procedures, smart growth strategies (including a focus on redevelopment sites), and conservation strategies may help ensure compliance with environmental laws and mitigate risks.

Accounting Metrics

IF0401-01. Number of (1) lots and (2) homes delivered on redevelopment sites

.01 The registrant shall disclose the number of controlled lots that are located on redevelopment sites, where:

- The scope of controlled lots includes all lots owned or contractually available for ownership through option contracts, other types of contracts, or the equivalent.

.02 The registrant shall disclose the number of homes delivered that were constructed on redevelopment sites.

- Homes shall include single-family dwelling units, whether detached, attached, or part of multi-family residential buildings.

.03 Redevelopment sites shall include brownfield and greyfield sites, and shall include sites that meet state or local designations for such terms.

- In the absence of state or local definitions, the following definitions shall be used:
  - Redevelopment sites are defined as sites that were previously developed, including the replacement, remodeling, or reuse of existing structures to accommodate new development.
  - Brownfield sites are defined by the U.S. Environmental Protection Agency (EPA), as "With certain legal exclusions and additions, real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant."

- Greyfield sites are defined by the National Association of Home Builders (NAHB) Green Home Building Guidelines as, "any site previously developed with at least 50% of the surface area covered with impervious material."

- The scope of redevelopment sites excludes undeveloped infill sites but includes infill sites to the extent that such sites meet the above definitions of redevelopment, brownfield, or greyfield sites.

IF0401-02. Number of (1) lots and (2) homes delivered in regions with High or Extremely High Baseline Water Stress

.04 The registrant shall disclose the number of controlled lots located in regions with High or Extremely High Baseline Water Stress as classified by the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct (publicly accessible online here).

- The scope of controlled lots includes all lots owned or contractually available for ownership through option contracts, other types of contracts, or the equivalent.

.05 The registrant shall disclose the number of homes delivered in regions with High or Extremely High Baseline Water Stress.

- Homes shall include single-family dwelling units whether detached, attached, or part of multi-family residential buildings.

IF0401-03. Amount of legal and regulatory fines and settlements associated with environmental regulations

.06 The registrant shall disclose the amount (excluding legal fees) of all fines or settlements associated with environmental regulations, such as those related to enforcement of U.S. laws and regulations on ground- and surface-water contamination; hazardous waste transport, containment, or disposal; air emissions; and public disclosure of contamination events, including violations of the U.S. Clean Water Act and the Resource Conservation and Recovery Act (RCRA), among others.

.07 Disclosure shall include civil actions (e.g., civil judgment, settlements, or regulatory penalties) and criminal actions (e.g., criminal judgment, penalties, or restitutions) taken by any entity (government, businesses, or individuals).

Note to **IF0401-03**

.08 The registrant shall briefly describe the nature (e.g., guilty plea, deferred agreement, or non-prosecution agreement) and context (e.g., environmental contamination, hazardous waste mismanagement, etc.) of fines and settlements.

.09 The registrant shall describe any corrective actions it has implemented as a result of each incident. This may include, but is not limited to, specific changes in subcontractor oversight, capital deployment, or public communications.

IF0401-04. Description of process to integrate environmental considerations into site selection, site design, and site development and construction

.10 The registrant shall provide a description of its process used to integrate environmental considerations into site selection, design, and development, where:

- Environmental considerations include ecological impacts, biodiversity impacts, emissions to air, discharges to water, slope disturbance, soil disturbance and erosion, storm water management, waste management, natural resource consumption, and hazardous chemical usage.

.11 The registrant shall discuss its approach to assessing risks associated with environmental considerations and related internal policies, practices, and procedures for managing those risks.

.12 The registrant shall provide a discussion of its approach to the following aspects of site selection:

- The process used to assess the level of ecological sensitivity of sites under consideration for acquisition or development, and how such assessments are incorporated into acquisition and development decisions.
  - Relevant aspects include the use of site classifications (e.g., greenfield, greyfield, brownfield, and/or infill sites) in decision making processes, such as.

.13 The registrant shall provide a discussion of its approach to the following aspects of site design:

- The process used to design sites in order to minimize ecological impacts, including management of slope disturbance, soil disturbance and erosion, storm water, waste, and wildlife habitat impacts.

.14 The registrant shall provide a discussion of its approach to the following aspects of site development and construction:

- The process used to minimize ecological impacts during construction, including management of construction and demolition waste, runoff, soil disturbance and erosion, and hazardous materials.

.15 The registrant shall discuss the use of codes, guidelines, and standards that address lot selection and design as well as construction, where applicable. Relevant codes, guidelines, and standards may include, but are not limited to:

- NAHB Model Green Home Building Guidelines, Section 1, "Lot Design, Preparation, and Development;"
- The U.S. Green Building Council's LEED® BD+C: Homes, v4, "Site selection;"
- LEED® BD+C: Homes, v4, "Construction activity pollution prevention;" and
- 2012 ICC 700 National Green Building Standard, "Incentives for Development and Lot Design."

Workforce Health & Safety

Description

Home construction requires a significant amount of manual labor from company employees and subcontractors. Site excavation and home construction activities are physically demanding, exposing workers to risks from falls and heavy machinery, and resulting in relatively high injury and fatality rates. Home builders recognize that worker injuries and fatalities have internal and external costs that can significantly impact the results of their operations and their social license to operate. Impacts include fines, penalties, worker compensation costs, regulatory compliance costs from more stringent oversight, higher insurance premiums, and project delays and downtime. To avoid such costs, companies can foster a culture of safety by developing proactive safety management plans, training employees and contractors, and conducting regular audits.

Accounting Metrics

IF0401-05. (1) Total recordable injury rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees

.16 Registrants whose workforce is entirely U.S.-based shall disclose their total recordable injury rate (TRIR) and fatality rate as calculated and reported in Occupational Safety and Health Administration (OSHA) Form 300.

- OSHA guidelines provide details for the determination of whether an event is a recordable occupational incident as well as definitions for exemptions for incidents that occur in the work environment, but are not occupational.

.17 Registrants whose workforce includes non-U.S.-based employees shall calculate their TRIR according to the U.S. Bureau of Labor Statistics guidance and/or using the U.S. Bureau of Labor Statistics calculator.

.18 The registrant shall disclose its TRIR separately for its direct employees and for contract employees, where:

- Direct employees are all those employees on the registrant's payroll, whether they are labor, executive, hourly, salary, part-time, seasonal, or migrant workers.
- Contract employees are employees who are not on the registrant's payroll, but who are supervised by the registrant on a day-to-day basis, including independent contractors and those employed by third parties (e.g., temp agencies, labor brokers, etc.).

.19 The scope includes all employees, domestic and foreign.

.20 Rates shall be calculated as: (statistic count / total hours worked) * 200,000.

Design for Resource Efficiency

Description

Residential buildings, when occupied, consume significant amounts of energy and water. Companies in the Home Builders industry can improve the resource efficiency of homes over their lifecycle through sustainable design practices and choice of materials. Energy-saving products and techniques such as designing homes for efficient heating and cooling can help to reduce dependence on energy, whether it comes from the electric grid or onsite fuel combustion. These measures, which are intended to improve the resource efficiency of homes, can decrease the costs of home ownership through lower utility bills. Water saving features such as low-flow faucets alleviates strain on local communities, while likely also lowering costs. Homebuyer awareness of the importance of the energy and water efficiency, and the availability of third-party programs intended to assess the resource efficiency and overall sustainability performance of homes, indicate the potential for companies to increase demand in their target market, thereby increasing revenue. Effectively applying resource efficiency design principles in a cost-effective manner may serve as a competitive advantage, especially when companies are successful in systematically educating customers on the long-term benefits of these homes.

Accounting Metrics

IF0401-06. (1) Number of homes that obtained a certified HERS® Index Score and (2) average score

.21 The registrant shall disclose the number of homes that obtained a certified HERS® Index Score, or an equivalent standardized home energy rating in non-U.S. markets, during the fiscal year.

- Homes shall include single-family dwelling units, whether detached, attached, or part of multi-family residential buildings.

.22 The registrant shall disclose the simple average score of all homes that obtained a certified HERS® Index Score.

- The simple average shall be calculated as the sum of all scores associated with homes that obtained a certified HERS® Index Score during the fiscal year divided by the number of homes with a certified HERS® Index Score.

.23 The scope of disclosure includes all homes that are or were controlled by the registrant, regardless of the stage of construction and the stage within the sales cycle.

.24 The registrant may additionally disclose the number of homes delivered that are certified to ENERGY STAR® for Homes.

IF0401-07. Percentage of installed water fixtures certified to EPA WaterSense® specifications

.25 The percentage shall be calculated as the number of water fixtures installed during the fiscal year that were certified to the U.S. EPA WaterSense® specifications divided by the total number of water fixtures installed.

- A water fixture is defined as a device used for the distribution of water or a device that consumes water.

- The scope of disclosure includes water fixtures that are within an eligible WaterSense® product category. Examples of product categories include bathroom sink faucets and accessories, showerheads, toilets, urinals, irrigation controllers, and pre-rinse spray valves.

.26 The scope includes all water fixtures installed in homes that are or were controlled by the registrant, regardless of the stage of construction, the stage within the sales cycle, or the entity that performed such installations.

IF0401-08. Number of homes delivered certified to a multi-attribute green building standard

.27 The registrant shall disclose the number of homes delivered that were certified to a third-party multi-attribute sustainability standard designed for homes.

- The scope includes all homes delivered during the fiscal year.

.28 The scope of third-party multi-attribute sustainability standards includes, but is not limited to, the following: ICC 700 National Green Building Standard, LEED® for Homes, and Environments For Living Certified Green®.

.29 Third-party sustainability standards designed for homes shall be considered within the scope of disclosure if, at a minimum, they address the following aspects of new home design and construction:

- Energy efficiency;

- Water conservation;

- Material and resource efficiency;

- Indoor environmental quality; and

- Owner education.

.30 The registrant shall disclose the sustainability standard(s) to which its homes are certified.

.31 The registrant may choose to discuss sustainability standards or guidelines that it implements in its home design and construction processes that are not third-party verified.

IF0401-09. Discussion of risks and opportunities related to incorporating resource efficiency into home design and description of how benefits are communicated to customers

.32 The registrant shall discuss the risks and/or opportunities associated with its approach to integrating environmental considerations into home design, including, where relevant:

- Opportunities to achieve sales price premiums, capture target market demand, and establish competitive advantages by producing homes with market-leading energy efficiency and water efficiency.

- Risks of failing to achieve adequate returns on investments made in technology, and market demand to improve the sustainability performance of homes or earn sustainability certifications.

- Risks to market demand associated with the registrant's failure to evolve its design approach at the same pace as its peers, resulting in the production of underperforming homes in terms of energy efficiency, water efficiency, and indoor environmental quality.

- Risks associated with the ability to cost-effectively build homes that meet evolving building codes.

.33 The registrant shall describe its strategy to measure and communicate energy efficiency and water efficiency performance improvements to homes, including:

- Measurement of homeowner benefits related to energy and water efficiency, including performance audits, certifications, standards, guidelines, and use of projected energy and water costs and savings relative to a baseline.

- Communication of the benefits of resource efficiency to prospective home buyers, including the benefits of resource efficiency performance and certifications, projected energy and water costs and savings, and the integration of resource efficiency into sales and marketing.

.34 The registrant may provide an analysis of such price increases relative to the cost of improvements in, and third-party certifications of, energy efficiency, water efficiency, and indoor environmental quality. Analysis may additionally include target return rates compared to realized return rates of improvements.

Community Impacts of New Developments

Description

Community and urban planning gives home builders the opportunity to thoughtfully design new residential developments in a way that benefits their customers as well as the pre-existing surrounding community. New home development can bring economic growth and workforce opportunities while moderating cost of living growth, and can provide communities with safe, vibrant, family-oriented neighborhoods. Companies can strive to improve communities' environmental and social impacts by providing access to public transportation and/or not overburdening existing transportation or utilities infrastructure, providing access to green spaces, developing mixed-use spaces, and creating more walkable communities. These strategies can help increase the overall demand for and selling prices of homes, as well as reduce the risks related to permitting and community or stakeholder opposition. When companies use development strategies that inadequately integrate their new communities into the pre-existing surrounding communities, they risk insufficient sales prices, excessive costs related to infrastructure needs and assessments, and permitting approvals and community acceptance for future developments.

Accounting Metrics

IF0401-10. Discussion of how proximity and access to infrastructure and community services affect site selection and development decisions

.35 The registrant shall discuss its approach to integrating considerations of proximity and access to existing public infrastructure into its site selection and development decisions, where relevant aspects include, but are not limited to:

- Whether the registrant prioritizes development proximate to roads, public transportation, or alternative forms of transportation;
- How the registrant assesses the adequacy of existing infrastructure, including roads, public transportation, electricity grids, and water and wastewater networks; and
- How the registrant factors regional infrastructure expansion plans into its decision-making process.

.36 The registrant shall discuss its approach to integrating proximity and ease of access to services and economic centers into its site selection and development decisions, where:

- Access to services and economic centers includes the physical distance, available modes of transportation, and cost and ease of transportation to commercial, business, health, and educational centers and facilities.
- Relevant disclosures may include:
  - How the registrant uses mixed-use development, if applicable, to meet customer demands;

- Whether the registrant uses proximity tools, including, but not limited to, Walk Score® in assessing proximity and ease of access to services and economic centers.

.37 Where relevant, the registrant shall discuss:

- How its approach may vary by market in the integration of such considerations (including geographical market or target market demographics);
- The development lifecycle stage at which considerations are integrated; and
- Risks and opportunities associated with the integration of such considerations.

.38 The registrant shall describe its use of third-party standards to incorporate best practices for site selection and development to optimize transportation effectiveness and access to services, including NAHB Model Green Home Building Guidelines, ICC 700 National Green Building Standard, and LEED® for Homes.

IF0401-11. Number of (1) lots and (2) homes delivered on infill sites

.39 The registrant shall disclose the number of controlled lots that are located on infill sites, where:

- The scope of controlled lots includes all lots owned or contractually available for ownership through option contracts, other types of contracts, or the equivalent.

.40 The registrant shall disclose the number of homes delivered that were constructed on infill sites.

- Homes shall include single-family dwelling units, whether detached, attached, or part of multi-family residential buildings.

.41 Infill sites shall include sites that meet state or local designations for the term.

- In the absence of state or local definitions, infill sites are defined by the NAHB Green Home Building Guidelines, as "vacant or underutilized lots of land, served by existing physical installations such as roads, power lines, sewer and water, and other infrastructure."
- The scope of infill sites excludes redevelopment, brownfield, and greyfield sites.

IF0401-12. (1) Number of homes delivered in compact developments and (2) average density

.42 The registrant shall disclose the number of homes delivered that are located in compact developments.

- Homes shall include single-family dwelling units, whether detached, attached, or part of multi-family residential buildings.

.43 The definition of a compact development is aligned with that described by the National Association of Home Builders in "An Introduction to Compact Development," including the three sub-categories of cluster development, mixed-use development, and traditional neighborhood development.

.44 The registrant shall calculate the average density of compact developments using the net neighborhood residential dwelling density, where:

- The average density shall be calculated as the total number of residential units in all compact developments divided by the net residential site area of all compact developments.
    - A net residential site area is defined as the total land area devoted to residential facilities, which is aligned with "Density Measures: A Review and Analysis"[14] and "Measuring Density: Working Definitions for Residential Density and Building Intensity."[15]
- The scope of residential units includes all planned, under-construction, or completed residential units in the compact development, regardless of the stage of completion or ownership.

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[14] Ernest R. Alexander, "Density Measures: A Review and Analysis," *Journal of Architectural and Planning Research*, Vol. 10, No. 3, Autumn 1993, pp. 181-202.

[15] Ann Forsyth, "Measuring Density: Working Definitions for Residential Density and Building Intensity," *Design Center for American Urban Landscape*, No. 8, July 2003.

Climate Change Adaptation

Description

The impacts of climate change, including extreme weather events and changing climate patterns, may impact the markets companies select to develop homes and residential communities. Companies with business models that incorporate ongoing assessments of climate change risks, and adapt to such risks, are likely to more effectively grow company value over the long-term, partially through reductions in risk. More specifically, strategies focused on home development activities in floodplains and coastal regions that are exposed to inclement weather have increased needs for their business models to adapt to climate change, especially considering long-term challenges like flood insurance rates, the financial stability of government-subsidized flood insurance programs, permitting approvals, and financing stipulations. Rising climate risks and the increasing cost of occupying properties in volatile regions may translate into reduced long-term demand, land value depreciation, and concerns over understated long-term costs of home ownership. Additionally, companies that build developments in water stressed regions risk losing land value, and may face problems with permitting approvals. The active assessment of climate change risks and a holistic view long-term homebuyer demand may enable companies to successfully adapt to such risks.

Accounting Metrics

IF0401-13. Number of lots located in FEMA Special Flood Hazard Areas or foreign equivalent

.46 The registrant shall disclose the total number of lots that are located in special flood hazard areas, where:

- FEMA Special Flood Hazard Areas (SFHA) are defined as land areas covered by the floodwaters of the base flood on National Flood Insurance Program (NFIP) maps. An SFHA is an area where the NFIP's floodplain management regulations must be enforced and where the mandatory purchase of flood insurance applies. SFHAs include Zones A, AO, AH, A1-30, AE, A99, AR, AR/A1-30, AR/AE, AR/AO, AR/AH, AR/A, VO, V1-30, VE, and V. Examples of SFHAs include coastal floodplains, floodplains along major rivers, and areas subject to flooding from ponding in low-lying areas.

- The scope of disclosure includes lots located in the U.S. that are designated by FEMA as SFHAs as well as lots located outside of the U.S.

- For non-U.S. lots that fall outside of the scope of FEMA, the foreign equivalent of SFHAs are areas that will be inundated by a flood event that has a one-percent chance of being equaled or exceeded in any given year (i.e., the 100-year floodplain).

.47 The scope of lots includes all lots owned or contractually available for ownership through option contracts or other types of contracts.

.48 The registrant may disclose its risk perception and potential impacts resulting from reclassification of FEMA SFHAs, including the risk of expansion of such areas into lots controlled by the registrant or its active selling communities.

IF0401-14. Description of climate change risk exposure analysis, degree of systematic portfolio exposure, and strategies for mitigating risks

.49 The registrant shall discuss the risks and/or opportunities that are presented to its business by climate change scenarios, including, where relevant:

- Identification of the risks presented by climate change, including, but not limited to, availability of water, extreme weather events, evolving regulation and legislation, home permitting processes, timelines and approvals, and impacts to local economies and infrastructure.

- Discussion of the scenarios used to determine the risks and opportunities presented by climate change, including, but not limited to, the New Policies Scenario, 450 Scenario, and Current Policies Scenario, as established by the International Energy Agency in its annual World Energy Outlook.

- The timeline over which such risks and opportunities are expected to manifest.

.50 The registrant shall discuss efforts to assess and monitor the impacts of climate change and related strategies to alleviate and/or adapt to any risks and/or utilize any opportunities, where:

- Alleviation strategies include, but are not limited to, site selection and the incorporation of climate or weather models into such analysis; site selection as it pertains to water scarcity; the strategy and timing of lot acquisitions, permitting, construction, and sales; the use of sales and purchase agreement clauses addressing risks to the registrant; and insurance.

- Adaptation strategies include, but are not limited to, lot design, home design for physical resiliency, contingency plans, and maximizing energy and water efficiency of homes.

.51 The registrant shall discuss its strategy related to the use of physical measures to manage climate change risk (e.g., floodplain avoidance, home design for physical resiliency, etc.) and/or financial mechanisms to manage these risks (e.g., the use of insurance, option contracts on lots, etc.).

SUSTAINABILITY ACCOUNTING STANDARDS BOARD®

1045 Sansome Street, Suite 450
San Francisco, CA 94111
415.830.9220
info@sasb.org

www.sasb.org