



PulteGroup's  
2015 Responsible Strategy Report



PulteGroup's Responsible Strategy includes offering innovative and efficient new homes to a variety of consumer groups through its unique brand portfolio:



#### Centex

which builds homes of exceptional quality and value for first-time buyers.



for consumers in the move-up market



for today's baby boomers looking for an active lifestyle in retirement



consumer inspired homes and resort style living in Florida



## Boy Builds \$10,000 House



In 1950, a high school senior named William (Bill) Pulte elected to forgo college and instead chose to follow his dream of becoming a homebuilder. With a building site donated by an aunt, a floor plan purchased from the local newspaper and tools given as graduation gifts, Bill built his first home by hand and sold it for \$10,000 before construction was completed.

Since that summer 65 years ago, the business Bill founded has delivered over 640,000 homes and has grown into one of the nation's largest homebuilders and a Fortune 500 company operating in 50 markets throughout the United States.

The business was much simpler back then as Bill had only to focus on delivering great homes in Detroit and, as he would say,

delighting the customer. Much has changed over the past six-plus decades both inside and outside the Company. Within PulteGroup are more than 4,000 men and women who work to build thousands of new homes annually under a unique multi-brand structure that allows it to more effectively serve a wide variety of consumers. The Company's national brands include: Centex, Pulte Homes, Del Webb and DiVosta.

Much has also changed outside of the company, as the business now operates in an environment where a company is judged not just on the product it produces and if it meets buyer needs, but also on the choices the organization makes in how it operates the business.

PulteGroup recognizes and embraces the roles of being both an outstanding homebuilder AND a responsible steward of the business at it relates to environmental, economic and social operating practices. In taking a broader view of the business, the Company can create a win-win scenario by generating better results for shareholders AND other key stakeholders, as well.

# PulteGroup's Responsible Strategy



In 2010 we launched a comprehensive review of PulteGroup's business which included a detailed analysis of 20 years of operating and financial performance data on the Company and its competitors. As a result of this work, we set a new course for the Company.

Under the banner of our Value Creation strategy, we implemented a series of initiatives focused on improving gross margins, overhead leverage and inventory turns in support of delivering better returns on invested capital (ROIC) over the housing cycle. Our 2010 analysis clearly showed that homebuilders that delivered higher ROIC generated increased total shareholder returns.

Over the subsequent four years, PulteGroup's performance on the key Value Creation metrics went from the bottom quartile of the peer group to rank among the industry leaders. We are certainly proud of these results and believe that all stakeholders have benefitted from the gains we have realized by running a better, more efficient business.

As PulteGroup's CEO, I fully appreciate, however, that a company's success is measured by more than just the numbers on its financial statements. How we run the business, how we treat customers and employees, and how we interact with the environment and the communities in which we operate will be equally vital to ensuring our long-term success. More and more, I am reminded of these realities when I speak with employees and investors who certainly ask about revenue, profit and business strategies, but also frequently quiz me about bigger topics such as eco-friendly building, charitable giving or workforce diversity.

There have been a lot of changes since we issued our Responsible Strategy report in 2008. What has not changed, however, is the recognition that we have a commitment and responsibility to all of our stakeholders that we employ sound environmental, economic and social business practices. We are proud to bring you our 2015 Responsible Strategy report which is designed to provide greater transparency to how we operate our business and encourage discussion as to the choices we make on behalf of customers, employees and shareholders.

The following pages provide an update on the progress PulteGroup has achieved over the past several years. We have certainly made meaningful strides in each of our focus areas, but we appreciate that this is a never ending journey as we must always work toward being just a little bit better tomorrow.

**Richard J. Dugas, Jr.**  
Chairman, President and CEO  
PulteGroup, Inc.

## Delivering a Responsible Strategy Envisioning the Future

PulteGroup's Value Creation strategy is about success over the long-term. It is not about next week, next month or next quarter, it is about next year and the years after that. When you lengthen your time horizon, you gain a greater understanding about what drives long-term performance. Embedded within our Value Creation strategy is a rolling, multiyear view that understands future success comes not only from serving customers, employees and shareholders, but also from serving the communities in which we operate and the environment which sustains us all.

For PulteGroup, executing a Responsible Strategy means taking a long-term view and implementing decisions and actions that deliver superior business results and that benefit people's lives and minimize our business's impact on the environment.

**Responsible Strategy  
means taking a  
long-term view.**

## About this Report

PulteGroup's 2015 Responsible Strategy Report is the Company's first since 2008 and is designed to serve as a benchmark for our environmental, economic, and social sustainability practices. The report highlights some of the key initiatives and projects the Company has launched which we believe are representative of our commitment to implementing sustainable business practices. In addition to listing tangible actions, this report is meant to serve as an engagement tool for promoting ongoing discussions with all of our key stakeholders on the opportunities and challenges surrounding the complex issue of corporate sustainability.

Unless otherwise noted, all of the financial information referenced in this report is based on PulteGroup's fiscal year ended December 31, 2014.



# Green is the New Green

## Green is the New Green Environmental Responsibility

In 1950, there were approximately 152 million people living in the United States. By the year 2000, the population had grown to 282 million. According government census data, by 2050 America's population is expected to exceed 400 million. The fact is that America's population is growing and people will need a place to live.

**Making the homes we build more energy efficient can shrink their carbon footprint.**

From an environmental standpoint, how we approach the process of housing an expanding populace can make a big difference. Rather than being a burden, being environmentally aware makes good business sense. Minimizing the resources used in the construction of homes can certainly benefit the environment, but it also reduces our production costs. Making the homes we build more energy efficient can shrink their carbon footprint, but it also makes our homes less expensive to own and operate which are great selling features. By taking a more sustainable approach to how we build and the type of homes we deliver we can be greener... environmentally and financially.

As a company, PulteGroup is focused on turning the environmental challenges of homebuilding into opportunities to drive great operating and financial success. We have numerous initiatives underway that tackle sustainable approaches toward product usage, water conservation and waste reduction. While our efforts are far reaching, the work generally falls into one of the following critical areas:

**Building Practices:** from siting new communities and developing the associated land to pouring concrete and erecting a home, construction, by its nature, has a significant impact on the environment. At PulteGroup, we are adjusting our processes and proactively taking steps to improve any resulting impact our business has on the environment.

**Home Designs:** while it may take only months to build a house, it will exist for decades. Through intelligent plan design and the inclusion of innovative and efficient products and features, we can dramatically reduce a home's energy and water use for the entire life of the home. By taking just such a sustainable approach, PulteGroup is shrinking each home's eco-footprint and, in the process, saving its homebuyers significant dollars over the years of ownership.

**Company Operations:** PulteGroup maintains approximately 46 offices, along with almost 1,000 model homes in 600 communities around the U.S. Throughout our organization, we are working to ensure that our offices and jobsites are aligned with our broader sustainability initiatives.



## National and Local Activities

- A lynchpin to PulteGroup's Value Creation strategy is its innovative common plan management process through which new, more efficient floor plans are designed and deployed across the Company's



six zones to drive maximum use inside our operations. Back in 2010 when we began our analysis, we estimated that redesigned floor plans could reduce build costs by thousands of dollars when compared with our homes of the past. Part of the savings resulted from the fact

that our new floor plan designs reduced the lumber package by as much as 7% per home. If 100% of the Company's 17,000-plus homes delivered in 2014 were commonly managed, this would equate to a savings of 20 million board feet, or the equivalent of 100,000 trees. For all of 2014, commonly managed plans accounted for 42% of our deliveries, which is up from 16% in 2013 and zero in 2008. The Company's goal is to have 70% or more of our annual deliveries come from commonly managed plans and to have the remaining 30% of production be from plans that are equally efficient in their design.

### Savings resulted from new floor plan designs that reduced the lumber package by as much as 7% per home.

- Integrated within the commonly managed process is a stage called value engineering, or VE for short. The goal of VE is to optimize the amount of material used in the construction of a home. This means looking at everything from how many sticks of lumber and the length of the HVAC and plumbing

**Since 2011, we have cut our onsite waste removal per home by 50% to less than \$300 per house.**

runs to optimizing room dimensions for flooring choices. In a business where you always want to measure twice and cut once, such optimization work reduces overall material usage and resulting scrap. Since the start of this work in 2011, we have cut our onsite waste removal related expense per home by 50% to less than \$300 per house.



- Continuing its legacy of leadership in the construction of energy efficient homes under the EPA's Energy Star program, PulteGroup's adoption of the Home Energy Rating System (HERS) Index is another step in the Company's sustainability journey. Using a numbers-based rating system, HERS is considered the industry standard by which a home's energy efficiency is measured. Meeting the rigorous HERS standards demands a builder take a holistic approach to a home's design and the precision with which the structure and mechanical systems are assembled. In 2014, an estimated 50% of PulteGroup homes delivered were HERS rated. The Company is actively working to increase this percentage annually.

# Green is the New Green

- For many homebuyers throughout the country, the high upfront cost of incorporating solar energy into their homes has made it difficult to justify the purchase of this sustainable energy resource. For example, while the overall adoption trend for solar energy systems has been positive over the years, as a consequence of the high initial expense less than 10% of PulteGroup homes delivered in Arizona in 2014 had solar selected as an option. We believe there are opportunities to dramatically accelerate the pace of acceptance among consumers and we are working with industry experts to identify new solar systems and financing programs that could significantly lower the cost of ownership. If we are successful in our efforts to develop a new approach to solar, we believe we can increase acquisition rates as early as 2016 and then ramp up quickly in years thereafter. We have set an initial goal of a 100% increase in solar adoption rates for the year.



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- Light-emitting diode (LED) lightbulbs are one of today's most energy efficient lighting technologies that, according to the Department of Energy website, use 75% less energy than traditional incandescent bulbs. PulteGroup has started testing the use of LED fixtures in certain applications as part of the new home construction process. In addition to the energy savings, LED bulbs are estimated to save homeowners upwards of 80% in annual energy costs compared with traditional bulbs. In 2014, only 2% of the homes we delivered included LED fixtures in place of traditional recessed lighting installations. PulteGroup is, however, currently assessing the opportunities to greatly expand the use of LED bulbs in fixtures throughout the individual homes we build.



- The Company relies on CFL and/or LED bulbs for most lighting applications within its roughly 1,000 model homes it maintains throughout the country. By switching to these more efficient lighting products, PulteGroup reduces energy needs and saves on lighting and cooling expenses. Many divisions are going one-step further and adding motion sensors that turnoff lighting when the model homes are not being toured.
- Working with its suppliers, PulteGroup now ensures all of its homes include plumbing fixtures and appliances designed to minimize the use of precious water and energy resources and, in turn, help reduce operating costs for homeowners. The inclusion of low-flow shower heads and toilets that require only 1.28 gallons per flush can reduce annual water usage in an average home by 6%. Through our partnership with Whirlpool and the use of only Energy Star rated appliances throughout the home, we help homeowners reduce energy usage and associated costs.

- As part of its work to ensure compliance with the Clean Water Act and associated rules for managing storm water runoff and pollution, the Company established its National Storm Water Quality Program (NSWP). The program, which is continuously updated and revised to incorporate new processes, is built on a series of training activities: Orientation, Awareness and Certification conducted throughout the organization to drive compliance in the field. The Company conducts annual compliance audits throughout the organization and uses its findings as a source of continuous improvement for the program. The Company has established an audit goal of 100% compliance at a score of 90% or better.

- Reuse and recycle. Many PulteGroup divisions are installing innovative systems through which the water runoff from homes in the community is captured and placed in underground recharge systems. In other divisions, our operations have onsite systems for collecting and recycling rock for use as crushed aggregate for sewer backfill and street subgrade and/or for reselling to local concrete companies for use in their plants.



The inclusion of low-flow shower heads and toilets can reduce annual water usage in an average home by 6%



# The Business of People

## The Business of People Economic Responsibility

More than 4,000 employees of PulteGroup, supported by tens of thousands of individuals working for our trade partners, delivered over 17,000 houses in 2014 to families in 50 major markets across the country. These numbers clearly highlight the tremendous responsibilities we have to our employees, to our customers and to our trade partners to implement a business strategy that focuses on long-term, sustainable success. We, in turn, have to understand and balance the needs of these important stakeholders with the demands of PulteGroup's owners...our shareholders...who seek an appropriate return on their investment in the Company.

Consistent with this view, PulteGroup continues to operate under its Value Creation strategy launched in 2011 and which focuses on delivering higher returns on invested capital over the housing cycle by improving margins, overhead leverage and inventory turns. We believe that by successfully implementing this program, we are building a strong operational and financial foundation that, in turn, can allow the Company to better serve its key constituents.



## National and Local Activities

- In 2014, PulteGroup generated revenues of \$5.8 billion and pretax income of \$690 million, our highest pretax income since 2006. From the period of 2011 to 2014, the initial four years of Value Creation, closings increased 13% from 15,275 homes to 17,196 homes, but by focusing on improving overall financial performance rather than just driving unit volumes, this 13% increase in closings drove a 43% increase in 2014 revenues and gains in underlying performance metrics that were nothing short of outstanding:

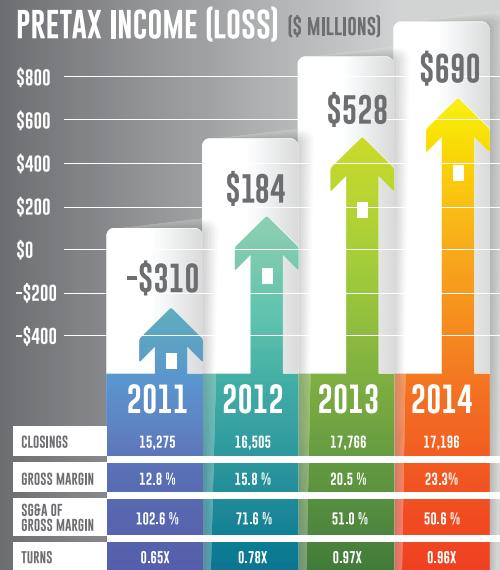
- Gross margin increased over 1,000 basis points from 12.8% to 23.3%.
- SG&A as a percent of gross margin was cut in half to 51%.
- The pretax income surged from a loss of \$310 million to a profit of \$690 million.

- Our greatly improved financial strength allowed PulteGroup to end 2014 with \$1.3 billion of cash after returning \$321 million to shareholders during the year through dividends and share repurchases.

- We hired more than 400 individuals to join our team in 2014, and continue with ongoing efforts to further enhance the Company's overall corporate culture. In 2010 PulteGroup retained the services of the Gallup Organization and launched its first all-employee survey to assess the Company's culture and overall employee engagement. We have continued to participate in these surveys in subsequent years and have seen consistent improvement in our annual scores to where we now rank in the top half of all participating companies. Our goal is to be in the top quartile within the next several years.

- Gallup survey results provide actionable feedback as one division's results identified employee desire for personal development and direction. The division created a mentoring program to enhance the growth of its leaders and future leaders by using a resource that embraces career development and constant learning opportunities in a collaborative environment. This is a structured program with defined goals, roles, expectations and time frames. Within the division, 85% of team members have a defined mentor and are participating in regularly scheduled one-on-one mentor/mentee meetings.

## REALIZING A SHARP INCREASE IN PROFITABILITY



# Looking Forward by Giving Back

- PulteGroup is actively promoting healthier lifestyles by implementing an innovative wellness program that financially incentivizes employees and enrolled spouses/partners to receive an annual physical exam. In 2014, 35% of eligible employees and 30% of eligible spouses/partners participated in the program. We continue to aggressively promote the benefit with our workforce as part of an overall emphasis on preventative healthcare.

- The Company has also put in place other financial supports to assist employees including a tuition reimbursement program that has routinely paid out over \$300,000 annually to men and women working to further their educations.

Beyond just our employees, PulteGroup's homebuilding activities have a tremendous positive impact on the communities in which we build. Based on data provided by the National Association of Homebuilders, it is estimated that for every 100 homes we build in a typical municipality, approximately 394 local jobs are created generating a collective income of \$28.7 million in wages which, in turn, generates \$3.6 million in taxes for local governments.



- In addition to running a more efficient business, we are also working to run a safer one. PulteGroup has retained the services of an independent, third-party firm to conduct comprehensive safety audits at our job sites to ensure that established processes and procedures for a safe working environment are being followed. These audits work to minimize injuries by evaluating practices in critical areas including fall protection, ladder safety, personal protection equipment and job site compliance center requirements. Measured against a top score 4, our audit scores have showed steady and consistent progress toward making the Company's construction sites safer for our employees, as well as those of our trade partners.



- In 2014, we initiated safety audits for three of our largest suppliers of key components of our homes. These audits included data requests on Experience Modification Rate (EMR), which is an insurance rating to gauge injury cost and future risk, OSHA records and details on company-specific safety programs. All three companies had EMR ratings at or lower than industry average, along with high performance in terms of OSHA records and safety programs.

## Looking Forward by Giving Back Social Responsibility

**"We build consumer inspired homes and communities to make lives better."**

Although comprised of only 11 words, PulteGroup's vision statement still manages to set a very high bar when you accept the challenge...to make lives better. At the outset, the focus of this statement was about delivering homes that really worked with how consumers live today. From the Pulte Planning Center and Owner's Entry to bigger family bathrooms and fixed stairs to the attic, PulteGroup is developing innovative new floor plans and features for all of its buyers. Over time, however, our vision grew along with our efforts to identify ways in which the Company could give back to the communities in which we operate.

Through activities big and not so big, the employees of PulteGroup have found amazing ways to positively impact the lives of people around them.



# Looking Forward by Giving Back

## National and Local Activities

- Since 2001, more than two million soldiers have valiantly served our country in Iraq and Afghanistan. More than 6,500 have made the ultimate sacrifice defending our freedom, while many more have suffered the serious wounds of war. And often when these heroes



return home, their fight is not over. Instead, many continue to face unbearable challenges related to their injuries, as well as joblessness and homelessness. All of us at PulteGroup are forever grateful to our veterans for the countless sacrifices they and their families have made defending our country. And we wanted to say thank you by doing what we do best and provide mortgage-free homes to deserving wounded veterans across the country.

Launched in 2013, PulteGroup operations across the nation have banded together with our dedicated and generous suppliers and contractors to support this effort, having built 30 new homes worth upwards of \$9 million for deserving wounded veterans.



Each of these homes is designed for a selected veteran and his or her family to ensure they best meet the specific needs of each soldier. From wider hallways, grab bars, suitable door hardware and/or "quiet rooms," these fully furnished and decorated homes help ease the transition for the veteran and the family. One of the most special features of each home is actually rarely seen for it is sitting behind the drywall: Notes of Love written to the family from employees, contractors, suppliers and neighbors. The notes, from simple phrases and well wishes to bible verses and literary quotes, are meant to surround the family in love...literally.

From Michigan to Texas and Washington D.C. to California, our hope is that together we can make a difference assisting our veterans and their families as they rebuild their lives here at home. For a list of our veterans we have served and the national suppliers who have committed to support Built to Honor nationwide, visit the Built to Honor section of our corporate website at [www.pultegroupinc.com](http://www.pultegroupinc.com).

• In 2013, the Company established a charitable giving fund through which it matches employee donations dollar-for-dollar up to \$5,000 per employee per year. The fund provided \$200,000 in donations in 2014 to worthy programs that supported education, domestic social programs and international aid and relief agencies.

- Getting paid for giving back. Pulte encourages employees to give back to the community and volunteer their time. All regular full-time employees are eligible for up to two days off with pay in a calendar year to participate in community service or to volunteer for a charitable cause. In 2014, hundreds of PulteGroup employees provided hands-on support to causes involved with a variety of community outreach projects.

- Our Illinois Sales Team participated in the Run to Read Charity in Schaumburg, IL, to collect over 1,000 children's books for classrooms, as well as to promote healthy living. The Sales Team raised over \$500 locally and then used the Company's corporate matching gift program to donate over \$1,000 for this great charity.

- Beginning in 2014, Pulte Financial Services partnered with the Mortgage Bankers Association's Opens Doors Foundation to provide financial assistance to families with a critically ill or injured child by awarding grants toward a mortgage or rental payment. The Company's goal is to contribute \$25,000 annually to this worthy program.

- In Michigan, the Division donated over \$6,000 to the Orion Oaks Family Network in support of new playground equipment for the students. This donation enabled the Family Network to finally have enough playground to support all 615 kids!

- In 2014, PulteGroup adopted three important programs within the city of Atlanta: The Atlanta Beltline, The Boys & Girls Club of Atlanta and Piedmont Park. These programs were selected after extensive research to find important local opportunities where PulteGroup could make a difference for people in the community. Specific members of our senior leadership team have volunteered to champion these causes which involves marshalling people and financial resources to address initiatives ranging from environmental cleanup and rebuilding to mentoring and direct financial gifting. The Company expects to invest hundreds of hours and thousands of dollars in supporting these efforts.



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For more information on  
PulteGroup's Responsible Strategy and Related Initiatives

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