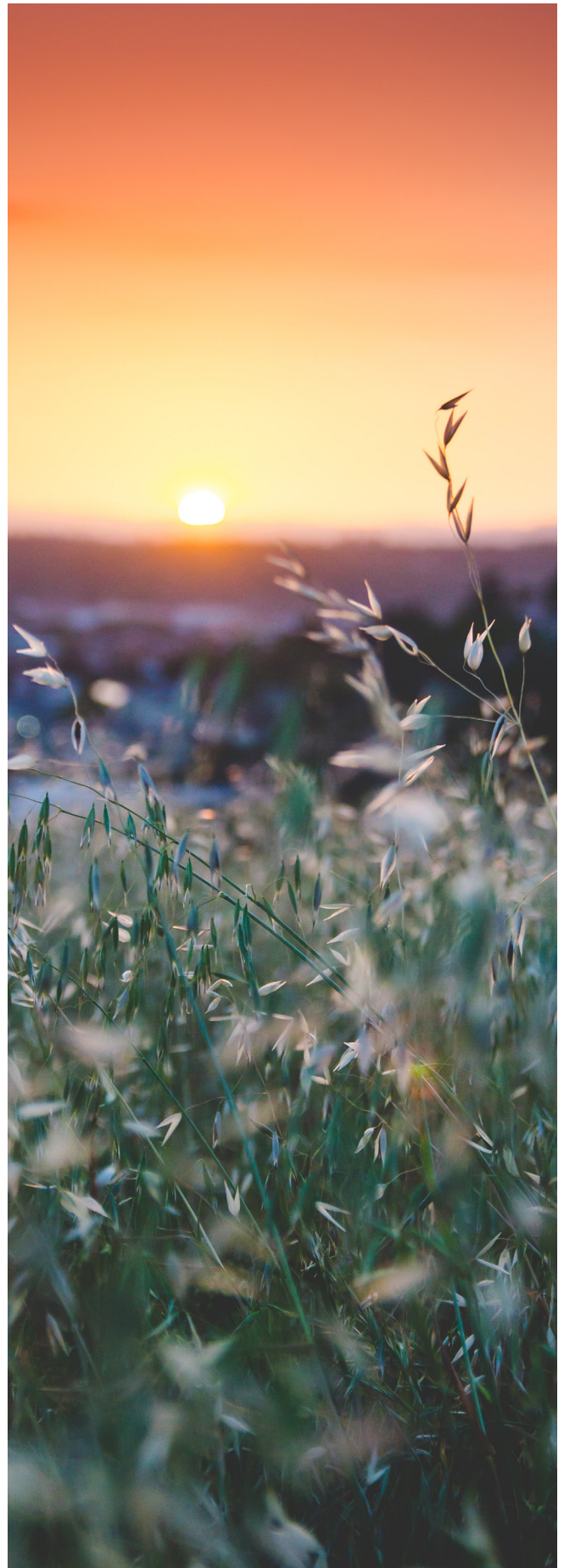


*Hovnanian*  
Enterprises, Inc.

HOVNANIAN  
ESG REPORT  
2022

**HOVNANIAN ENTERPRISES, INC.**

90 Matawan Road, Fifth Floor, Matawan, N.J. 07747  
Tel: (732) 747-7800



## A LETTER TO ALL OF OUR STAKEHOLDERS:

Last year we published our first Environmental, Social and Governance (ESG) report. The purpose of this annual ESG report is to provide a medium for us to communicate our efforts regarding corporate sustainability and opportunities which impact all of our stakeholders, including our homebuyers, associates, shareholders, bondholders and trade partners, as well as the cities and towns in which we live and work.

Our intention is to continue to improve in our ESG journey and in the communication as to our efforts and results. In that vein, we began working with two external advisors in fiscal 2022 in order to better focus our efforts in the ESG realm. One of the first tasks we completed is that we established a baseline for our Company's carbon emissions in accordance with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standards in fiscal 2022. Now going forward, this GHG benchmark will allow us to measure our progress each year.

We are thrilled with the addition of Miriam Hernandez-Kakol to our Board of Directors. She brings a wealth of knowledge from her extensive global strategic advisory expertise, as well as a unique perspective as an ethnically diverse woman. Her presence on our Board has sparked heightened activities to increase the overall diversity of our associate base. We also sought initiatives that would improve our governance efforts, including the adoption of several new company policies in fiscal 2022.

As we forge ahead, we intend to continually seek to establish best practices and more transparently communicate our ESG efforts. It's not just about doing the right thing; we understand that a clear vision of what we stand for is crucial for lasting success.

We are still at the very early stages of our ESG journey, and we recognize that we have much to learn and to accomplish in this space. We will leverage the core principles that my father set in place 60+ years ago, while embracing new practices that will allow us to become even better corporate citizens. Throughout this report, you will find details about the progress we are making. While I am proud of what we have accomplished, I am even more excited for what is still to come.

**Ara K. Hovnanian**  
Chairman of the Board, President and Chief Executive Officer



We strive to be good neighbors  
and are committed to practices  
that have a positive impact.



## OUR VALUES

Hovnanian has a long history of corporate responsibility, which is deeply rooted in our heritage. We are a company that is built on dedication and purpose.

At our communities and offices, this means attracting the best talent and creating the best experience for our homebuyers. Throughout the 14 states where we operate, we strive to be good neighbors and are committed to practices that have a positive impact. We believe that value creation and a commitment to ESG practices are complementary goals.



Having succeeded as a company for more than 60 years, we understand that a clear vision of what you stand for is crucial for lasting success. In 1959, our founder, Kevork S. Hovnanian (Mr. Hovnanian) established our Company on a strong value system, long before the term “corporate responsibility” was part of the conversation within board rooms.





## OUR HISTORY

Prior to emigrating to the United States from Iraq with his family, including his son Ara, our current CEO, Mr. Hovnanian founded and ran a successful road construction company. Due to a bloody coup that overthrew the Iraqi monarchy, Mr. Hovnanian, along with his family, was forced to flee. Upon his arrival in the United States, Mr. Hovnanian, his wife and children initially lived with family. Given an opportunity to buy a parcel of land, he started the Company with one plot of land in Toms River, New Jersey and a small construction trailer using a loan and investments from family. Mr. Hovnanian could have chosen a catchy or simple Americanized name but intentionally used the family name to demonstrate how proud he was of his work.

**These principles established by Mr. Hovnanian continue to be reflected in our day-to-day operations, as well as our vision for the future of the Company.**

**Our commitment to ESG and corporate responsibility more broadly is evidenced by our Board’s oversight of ESG matters. In particular, our Board has tasked our Corporate Governance and Nominating Committee (CGNC) with primary responsibility for our ESG oversight. In this capacity, the CGNC reviews and considers the Company’s policies and practices relating to environmental stewardship, corporate social responsibility and all public policy issues significant to the Company at least three times annually.**



Furthermore, the ESG executive team and the CGNC updates the Board on all ESG related matters at least twice a year. In addition, the Board reviews the Company’s ESG Statement prior to publishing. The ESG executive team and its working group meet several times throughout the year and are responsible for raising the profile of ESG across the Company and enhancing our transparency and disclosure around our ESG initiatives and regularly reports to the CGNC. The ESG executive team is comprised of our senior leadership, as well as legal and investor relations. The Company’s ESG working group has cross-functional representation and includes senior-level representatives from accounting, corporate operations, human resources, IT, land acquisition/development, quality, risk management and safety.



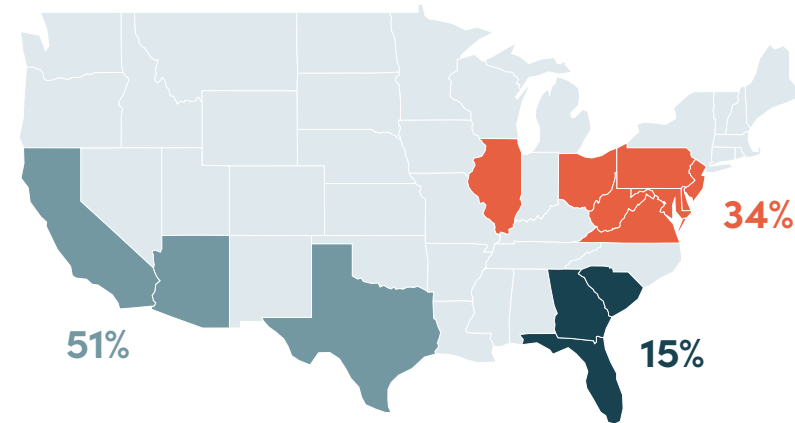
## 2022 HIGHLIGHTS

### HOVNIANIAN ENTERPRISES AT A GLANCE

Hovnianian designs, constructs, markets, and sells single-family detached homes, attached townhomes and condominiums, urban infill, and active lifestyle homes in planned residential developments and is one of the nation's largest builders of residential homes. Founded in 1959 by Kevork Hovnianian, the Company was incorporated in New Jersey in 1967 and reincorporated in Delaware in 1983. Since the incorporation of the predecessor company, the Company, combined with its unconsolidated joint ventures, have delivered in excess of 361,000 homes, including 6,090 homes in fiscal 2022. The Company has two distinct operations: homebuilding and financial services. Our homebuilding operations consist of three segments: Northeast, Southeast and West. Our financial services operations provide mortgage loans and title services to the customers of our homebuilding operations.

Including unconsolidated joint ventures, we are currently offering homes for sale in 133 communities in 29 markets in 14 states throughout the United States. We market and build homes for first-time buyers, first-time and second time move-up buyers, luxury buyers, active lifestyle buyers and empty nesters. We offer a variety of home styles at base prices ranging from \$156,000 to \$1,485,000 with an average sales price, including options, of \$513,000 nationwide in fiscal 2022. Our operations span all significant aspects of the home-buying process – from design, construction, and sale, to mortgage origination and title services.

### DELIVERIES BY SEGMENT <sup>(1)</sup>

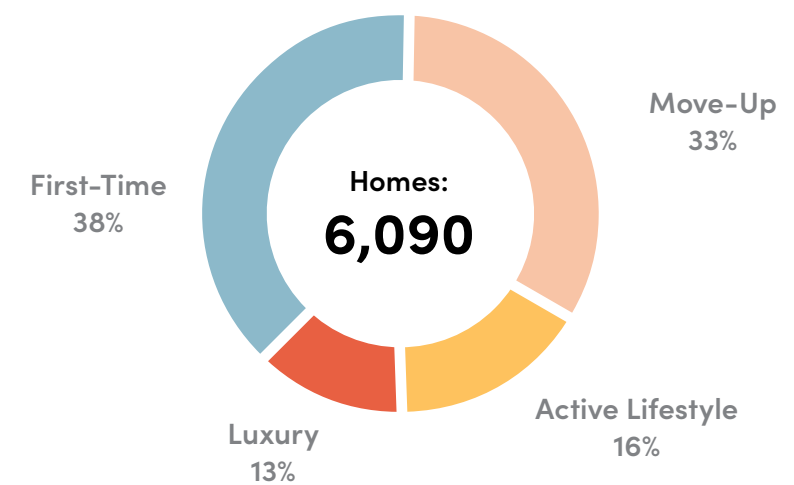


Fiscal 2022 Deliveries:  
**6,090**

<sup>(1)</sup> Includes unconsolidated joint ventures deliveries.

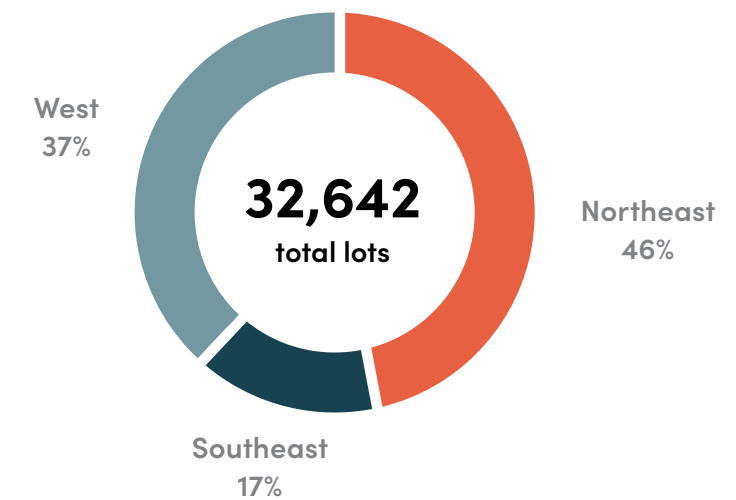
### HOME DELIVERIES BY PRODUCT <sup>(1)</sup>

Year Ended October 31, 2022



### LOTS CONTROLLED BY SEGMENT <sup>(1)</sup>

As of October 31, 2022





# ENVIRONMENTAL

## OUR COMMITMENT

**We are committed to adhering to sound environmental principles and practices.**

As we go about our business of designing and building new home communities, our focus is to design and construct our communities in a way that optimizes building materials and reduces construction waste. As part of these efforts, the Company partners with the Department of Energy's Building America Program to research sustainable construction practices to improve the durability and energy efficiency of new homes.



**“The Company is committed to conducting its operations in an environmentally sound and responsible manner, in recognition that the Company’s activities have an impact on the environment.”**

[Enterprise Environmental Policy](#)



## OUR STEWARDSHIP

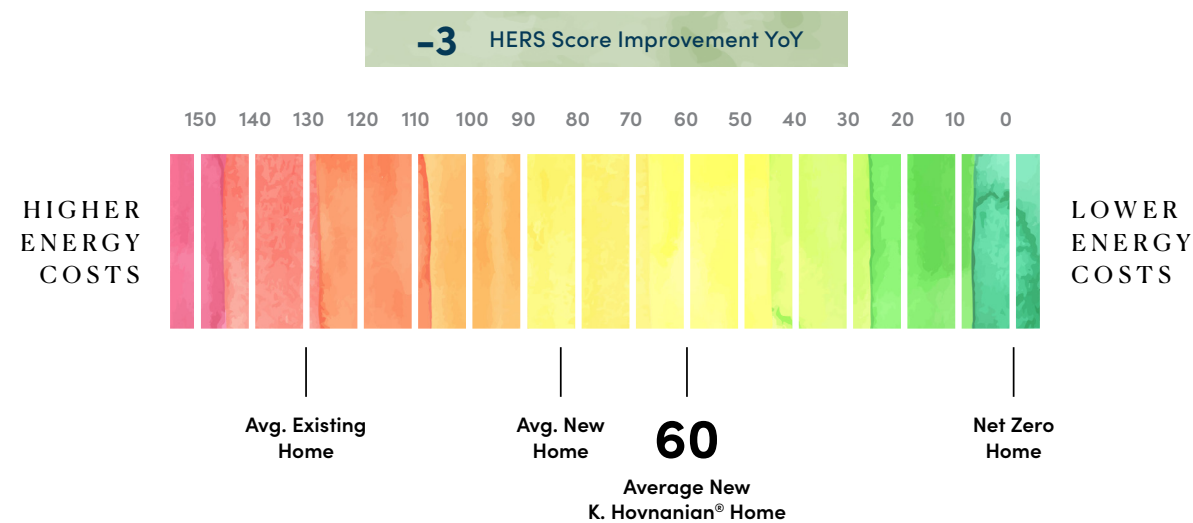
The Company is continually seeking to offer features that will enhance the energy efficiency of our homes.

### ENERGY EFFICIENCY

We delivered 866 homes, 14% of our deliveries, in fiscal 2022 with solar panels. Additional examples of our efforts to utilize energy efficient products include the use of Energy Star rated appliances, LED lighting and low E windows. Additional, environmental offerings include electric vehicle charging stations, low VOC paint and tankless water heaters. Throughout the design and construction processes of homes in our communities, we further utilize advanced building practices and materials. For example, in fiscal 2022, the Company installed more than 39,600 WaterSense® fixtures in our homes.

The Home Energy Rating System (HERS) Index is the industry standard for measuring a home's energy efficiency, with a lower score evidencing a more energy efficient home. As confirmation of our success in employing advanced building practices and materials, the Company's average HERS Index score was 60 for homes delivered in fiscal 2022, which was a solid improvement from 63 for homes delivered in fiscal 2021.

### THE HOME ENERGY RATING SYSTEM (HERS) INDEX



In 2022, the Company was very proud to receive two United States Department of Energy (DOE) Housing Innovation Awards for both attached homes and for production homes (single family detached). Since 2003, the DOE Housing Innovation Awards have honored the very best in innovation on the path to zero energy ready homes by recognizing energy conscience and forward-thinking builders delivering American homebuyers more efficient homes.

### Award winning communities are Villages at Country View in Monroe, NJ and Oaks at Glenwood in Old Bridge, NJ

These traditionally styled, single-family attached townhomes and detached homes utilize engineered wood products and advanced framing techniques to optimize an efficient use of materials. Plumbing fixtures that are certified as "WaterSense" by the Environmental Protection Agency (EPA) are featured throughout the homes to ensure the conservation of this natural resource. These home plans have been constructed and have been EPA certified ENERGYSTAR compliant, "Indoor airPLUS" qualified, and built-in accordance with the U.S. Department of Energy "Zero Energy Ready" National Program requirements. The latter builds upon the ENERGYSTAR path to energy compliance and adds additional performance-based criteria in order to comply with this national initiative. While maintaining traditional



**K. Hovnanian**  
Matawan, NJ Khov.com



PROJECT: Villages at Country View Monroe, NJ

**2,220** sq. ft.

2 bedroom, 3 bath, 2 floors  
4A Mixed-Humid, Attached

**HERS 45**



**\$120**

**Annual Monthly Energy Bill**  
Calculated

**\$850**

**Annual Savings**  
Calculated versus typical new homes

**\$42,200**

**Saved in the First 30 Years**  
Includes fuel escalation rate, 2021 EIA Energy Outlook



architectural features both inside and out, these home plans utilize increased insulation, higher performance fenestration and locates the HVAC systems within the thermal boundary. Furthermore, the specific solar orientation of these homes was used in the design of the HVAC system and was built to the stringent criteria set forth by the Department of Energy with regards to infiltration; limiting the amount of unconditioned, outside air introduced into the living space while providing fresh air to ensure a healthy interior environment. Building a tighter, more energy efficient home with properly sized equipment allows for a reduction in the amount of ductwork required to deliver conditioned air, resulting in cost savings to the builder and the homebuyer. As a qualified "Indoor airPLUS" home and in concert with a properly vented house, low emission, recycled materials are featured throughout the home. Advances in moisture control and hard finish flooring in common areas reduce the potential buildup of contaminants such as mold, mildew and toxic chemicals. Cabinetry that is U.L. "Greenguard" certified, Sherwin Williams paint and Shaw "Green Label" carpet that produce minimal toxic fumes, building materials that utilize less chemicals, and radon-resistant construction techniques ensure that the interior is free from pollutants. ENERGYSTAR certified appliances and LED lighting that are proven to reduce energy demand are featured throughout the homes. Combined, these initiatives result in tighter, healthier, more comfortable homes with efficient heating and air conditioning equipment, as well as energy-friendly appliances and illumination that reduce overall consumption, which save the homeowner money.



In addition to the above DOE recognized communities, we have other examples of forward-thinking design and construction throughout the Company. One such example is our Pender Oaks community located in Fairfax, Virginia. We were selling and delivering homes throughout fiscal 2022 in this community, which consists of 219 homes that are comprised of townhomes and condominiums.

The Pender Oaks community demonstrates our strong focus on building our homes with resource management, energy efficiency and low maintenance as priorities. The community is completely walkable to local retail and office areas. In addition, the community has a bus stop with service to the metro lines that run into Washington DC.

There are outdoor electric vehicle charging stations as well as bike racks throughout the community. All of the homes were built to conform to the National Green Building Standards Bronze level. Additionally, all homes are being ENERGYSTAR certified. Some other highlights of the Pender Oaks community include:

- All of the homes had mechanical ventilation system for fresh air.
- All of the homes had a high-efficiency air seal and air seal inspection between the interior and exterior.
- All of the homes had additional high-efficiency air seal and inspection between the garage and the living spaces.
- All of the lighting was LED.
- All of the toilets were low flow and all of the faucets and showers were low flow.
- All of the homes used National Gypsum eXP board on the corewalls for superior moisture resistance.
- All of the exterior trim was either cementitious board or aluminum wrapped for low maintenance.
- All of the front elevations were brick for low maintenance.

We also have The Ranch in Rancho Cordova located in Northern California. This community is comprised of 1,437 homes and is all-electric. When this project was in planning, multiple development considerations were reviewed including the project being either a dual fuel (gas and electric) community which is typical for the Sacramento area or to move forward with the entire project as an all-electric community. The Company made the decision to go all-electric. This is not our first all-electric community in the Sacramento area, and we have received positive feedback from our homebuyers as to all-electric on the efficiency of the homes as well as the low cost to operate. Our Northern California region currently has 7 communities that are all-electric and 5 more in the planning phase for development. As California moves into all-electric as a standard requirement, we are well prepared and fully embracing the new standard.

DEDICATION *to*  
SUSTAINABILITY



## GREENHOUSE GAS EMISSIONS

In 2022, we engaged a third-party consultant to assist us in calculating our baseline series of greenhouse gas emissions (GHG) inventories, measuring our 2022 emissions across Scopes 1, 2 and 3 in accordance with the GHG Protocol Corporate Accounting and Reporting Standard.

### 2022 GHG EMISSIONS

(in metric tons CO <sub>2</sub> e)	2022
Scope 1 (Direct GHG emissions)	1,019
Scope 2 (Indirect GHG emissions)	8,494
Scope 3 (Indirect value chain emissions)	1,466,114
<b>Total GHG Emissions</b>	<b>1,475,627</b>





## CLIMATE CHANGE ADAPTATION

During the due diligence stages of the land acquisition process, we conduct risk assessments to ensure that we take into consideration issues that are closely associated with climate change risks, including but not limited to events such as floods and hurricanes. If we elect to proceed with the purchase of the land within an area more likely to be affected by the immediate impacts of climate change, we take steps to ensure that our construction and development processes address these climate related risks.

On occasion, we purchase land that may include areas with an initial designation of special flood hazard areas (SFHA) by the U.S. Federal Emergency Management Agency (FEMA). If this occurs, we work with FEMA to address flood risk, prepare appropriate drainage and grading studies, undertake improvements if necessary and obtain a letter of map revision (LOMR). In addition, once we determine the property is no longer in a flood plain, we take necessary actions to ensure an update to the flood insurance rate map (FIRM) before we move forward with construction. At the end of fiscal 2022, 97.5% of our controlled lots were outside SFHA designation.

At the end of fiscal 2022, we had 18,577 infill site lots, 57% of total lots. During fiscal 2022, we delivered 4,677 homes that were on infill sites, 77% of total deliveries and 1,917 homes that were in compact developments, 31% of total deliveries.

## STORM WATER INFORMATION MANAGEMENT

As responsible stewards of the land, we are committed to minimizing the impact of stormwater runoff; both during our construction activities and in the post-development design of our communities. We have memorialized this commitment with robust company policies governing our Stormwater Management Program that is designed to create best practices and comply with the regulatory landscape which in turn reduces our impact on the environment, and the risk of fines and delays.

We incorporate into our land development projects many practices that minimize the quantity of stormwater runoff while at the same time improves water quality, these practices include: Environmental Site Design (ESD), Low Impact Development (LID), Open Space Design, Forest Preservation Areas, vegetated buffers, bio-retention and bio-filtration facilities, rain gardens, stormwater infiltration and retention facilities. Each year, hundreds of acres of ponds, constructed wetlands, open space, riparian buffers and other stormwater management facilities are dedicated to the improvement of water quality in our communities.

All construction activities are overseen by designated Site Stormwater Compliance Representatives whose responsibility includes oversight, administration, and inspections of our active construction sites to ensure compliance with all local, state and federal regulations regarding stormwater runoff. Each project has a site-specific Stormwater Pollution Prevention Plan (SWPPP) and Erosion and Sediment Control Plan (ESC) designed by engineers and environmental consultants to ensure compliance with the National Pollutant Discharge Elimination System (NPDES) program. These efforts minimize the amount of sediment in stormwater runoff and reduce the risk of spills or exposure to precipitation for other common pollutants such as: fuel, paint, stucco, concrete, drywall compound, trash and debris on each of our construction sites.



We utilize a vigorous training program designed to ensure each of our field associates shares our commitment to environmental stewardship through active stormwater runoff management. This program gives our associates the knowledge, skill and ability to recognize potential pollution sources, identify appropriate Best Management Practices (BMPs), and conduct inspections to evaluate the performance of the implemented system. All field associates, which includes homeowner service and construction and land development, complete the 'Stormwater Basics' course upon hire. Those associates that will be performing inspections receive further training on program management, performing inspections, and managing the site for stormwater. Associates performing inspections will also complete annual refresher training based on feedback received during our internal quality coaches site evaluations. In certain jurisdictions, we engage the services of professional third-party inspectors to assist in this effort. To ensure alignment with our vision, these third parties are required to complete our internal training program prior to inspecting our sites. When a third-party inspector is involved, our internal community construction managers (CCM), who are trained and assigned to the community, must validate, and approve those inspections as well. Further, associates designated as Site Stormwater Compliance Representatives must complete an additional six hours of training to complete our internal Certified Compliance Inspector of Stormwater course (CCIS).

In fiscal 2022, 523 associates and 43 of our third-party inspectors received Stormwater Personnel Training.

In fiscal 2022 the following Stormwater Training Courses were completed:

STORMWATER BASICS



**70** associates and **6** third-party inspectors

STORMWATER REFRESHER TRAINING



**314** associates

DIVISION STORMWATER COMPLIANCE REPRESENTATIVE MEETING



**145** associates and **38** third-party inspectors

CERTIFIED COMPLIANCE INSPECTOR OF STORMWATER (CCIS)



**159** associates and **38** third-party inspectors

Finally, in those jurisdictions where State Certification is required to conduct inspections, our Site Representatives obtain this certification (some require more than 30 hours of additional instruction) prior to job assignment. At the end of fiscal 2022, nearly 100 associates maintain State Certification:

- California: 9
- Delaware: 28
- Maryland: 10
- Florida: 23
- Georgia: 3
- South Carolina: 3
- Virginia: 23

Corporate assessments are conducted three times a year at the individual construction sites, in each State where we operate, to evaluate the performance of the stormwater management program at the local level. The results of these assessments are reviewed by our senior management team to identify improvement opportunities. Site managers are scored on the overall performance of their SWPPP, administrative compliance, adherence to our Company's Stormwater policies, efficacy of the BMPs in use and the thoroughness of their inspections. These field assessments include one-on-one instruction and coaching for continuous improvement in minimizing the environmental impact of stormwater runoff.







## LAND USE AND ECOLOGICAL IMPACTS

Our focus is to design and construct our communities in a way that connects people to nature.

The EPA designated the Company as a “potentially responsible party” along with two other parties for the clean-up of a site where the Company had developed housing in the 1990’s which was in the vicinity of a former lead smelter. In fiscal year 2022, the Company entered into a consent decree with the EPA in settlement of the EPA’s complaint seeking reimbursement for the clean-up costs. The Company recorded a monetary loss of \$800,000 as a result of the settlement. The Company had no other monetary losses in fiscal 2022 as a result of legal proceedings associated with environmental regulations.

2022

TREES  
PLANTED



More than  
**27,000**

TREES  
PRESERVED



More than  
**33,000**

DEDICATED  
OPEN SPACE



**1,000+**  
acres

WALKING &  
BIKING TRAILS



**39**  
miles

PARKS BUILT



**98**



## URBAN RENEWAL

### HILLTOP AT CEDAR GROVE, NJ

Before



After



Since the 1980s, we have established ourselves as a leader in urban renewal/redevelopment projects, starting with our Society Hill community in Newark, New Jersey, which had been the epicenter of the 1967 Newark riots. As the only respondent to the City of Newark's Request for Redevelopment Proposals, the Company built a new community of over one thousand homes, which involved extensive brownfield cleaning and certification and substantially increased opportunities for affordable homeownership across the community. Since we initially began our efforts to offer homes in redevelopment sites, we have delivered more than 5,800 homes through our urban renewal/redevelopment projects, including 1,252 homes in fiscal 2022, or 21% of 2022 deliveries.

### HILLTOP AT CEDAR GROVE, NJ

Before



After





# SOCIAL

We believe having an inclusive work environment, where everyone has a sense of belonging, not only drives engagement but fosters innovation, which is critical to driving growth.

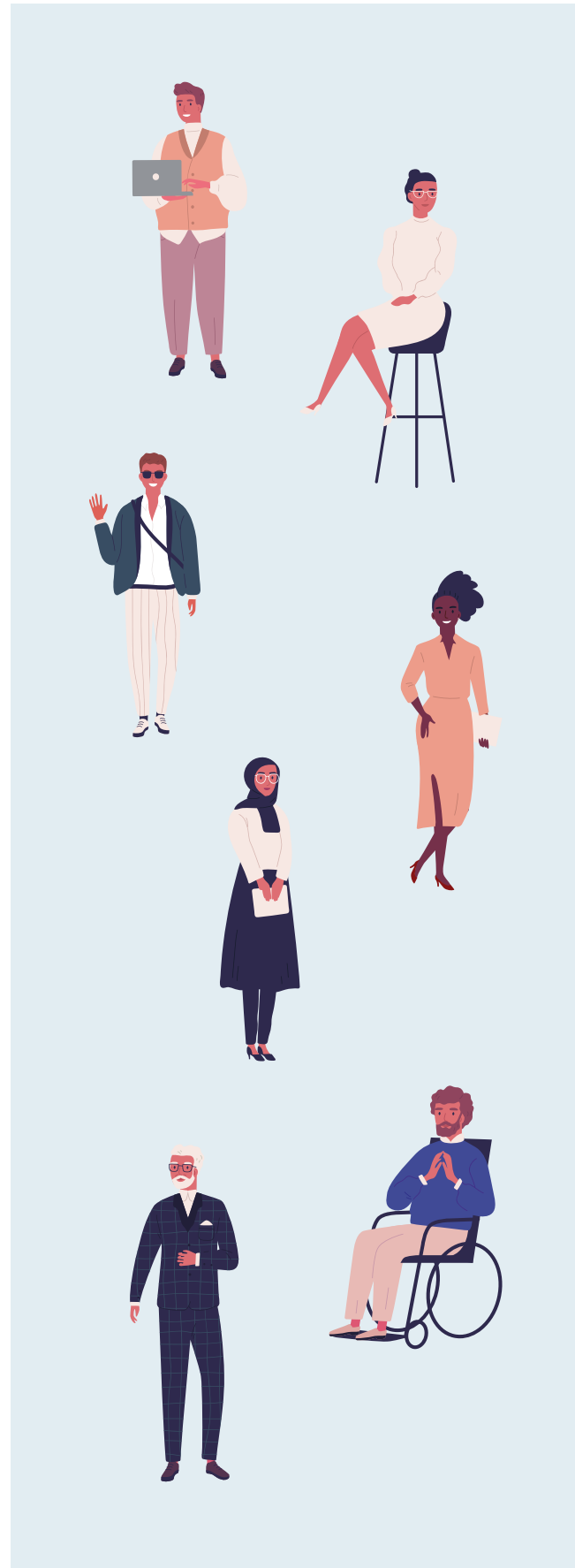
We understand that the best ideas come from having people from different backgrounds, perspectives, experiences and skills across all businesses, levels of seniority and divisions across the country. We aim to differentiate ourselves through a workplace culture that celebrates drive, commitment and achievement. We believe that talented associates are the Company's greatest asset and play a key role in creating long-term value for our stakeholders. As of October 31, 2022, nearly 19% of our associates have been with the Company for more than 15 years, and the average tenure of all associates is greater than 7 years. In January of 2022, the national average that a wage and salary worker has been at their present job is 4.1 years. We understand that our ultimate success and ability to compete are substantially dependent on how well we identify, hire, train, and retain highly qualified personnel. We realize that each associate has a unique vision and their own special talents. We are committed to being an employer that fosters the growth of each associate, while building an inclusive and diverse workforce.

Through a combination of benefits and programs, we believe that we positively contribute to the well-being of our associates and the communities in which they live and work. Our competitive benefits packages include medical, dental, and vision coverage, as well as health savings accounts, life insurance, disability income, 401(k) savings plan with up to a 6% company match and other assistance and wellness programs. Together, these benefits help keep our associates and their dependents healthy, while giving them tax-advantaged ways to save for retirement and establish long-term financial security. This package of programs is routinely reevaluated in order to meet the changing needs of our associates in our diverse organization.

19% of our associates have been with the Company for more than 15 years.

Building Better Benefits					
401k Plan with Company Match	Paid Wellness Day	Dependent Care Flexible Spending Account	College Savings Plan - 529	Critical Illness Coverage	
Identity Theft Protection	Company Paid Sick Time	Employee Assistance Program	Accident Coverage	Profit Sharing Plan	Healthcare Flexible Spending Account
Dental Insurance	Hospital Indemnity Coverage	Vision Insurance	Holidays	Legal Plan	Smoking Cessation Program
Personal Days	Home Purchase Discount Programs	Paid Company Holidays	Dependent Life Insurance	Accidental Protection & Dismemberment Insurance	Basic Life Insurance
Health Reimbursement Plan with Company Funding	Short & Long Term Disability	HSA with Company Funding	Supplemental Life Insurance	Pet Insurance	Group Home & Auto Insurance

## DIVERSITY & INCLUSION



## Promoting a diverse and inclusive work environment is a major priority at Hovnanian.

In 2022, the Company was thrilled with the addition of Miriam Hernandez-Kakol to its Board of Directors. She brings a wealth of knowledge from her extensive global strategic advisory expertise, as well as a unique perspective as an ethnically diverse woman. Her presence on our Board has sparked heightened activities to increase the overall diversity of our associate base.

In 2020, the Company formed a Diversity and Inclusion (D&I) Task Force consisting of associates in the organization. Some volunteers and others identified and requested to participate in order to give a more balanced view to the diversity and inclusion discussion. The purpose of the task force is for our CEO and the rest of the senior leadership team to hear feedback, discuss our associates' feelings about diversity and inclusion in the organization, and identify potential areas of improvement. In 2020, the Company's D&I Executive Committee was also formed and is personally led by our CEO and comprised of members of senior leadership. The role of the executive committee is to review the recommendations of the task force and decide what to implement and focus on as well as to review the Company's progress in this area. The Diversity Made Simple and Unconscious Bias for Managers, discussed below were the result of the task force and executive committee efforts and recommendations. The D&I Task Force and the D&I Executive Committee meet regularly and, as a result of the task force and committee's efforts, many initiatives were implemented or continued in fiscal 2022.

### INITIATIVES IMPLEMENTED OR CONTINUED IN FISCAL 2022

- Diversity Made Simple
  - This was a mandatory company-wide rollout in September of 2020; at the same time it was added to our mandatory new hire curriculum.
  - This eLearning video/quiz is assigned upon hire; completion is tracked by local Human Resources.
  - In fiscal 2022, 556 associates completed this training.
  - Starting in 2023, we intend for all associates to complete a similar type of mandatory training on a bi-annual basis.
- D&I for Managers (Unconscious Bias)
  - This was a mandatory company-wide rollout in August of 2021 for all people managers and those in director-level roles.
  - Following the initial roll-out, it is offered on a quarterly basis and required for newly hired or promoted people managers and those in director-level roles.
  - The training is a 90-minute interactive/virtual event. The training is conducted by the Company's Diversity consultant.
  - Associates in leadership positions (representing approximately 22% of all associates) are obligated to participate in this training.



- Our CEO personally communicates to all associates the meaning and history behind important holidays and cultural events throughout the year, providing an educational background for all concerning various cultures and faiths. Some examples include Chinese New Year, Black History, Passover, Ramadan, Juneteenth, and Pride Month.
- Hovnanian is a founding member of Building Talent Foundation (BTF) whose mission is to advance the education, training and career progression of young people from underrepresented groups, in skilled technical workers and as business owners in residential construction. In fiscal 2022, we extended our partnership and financial commitment for another three years. [Click here](#) to learn more about the wonderful work that BTF is doing.
- We began actively recruiting from the Top Historically Black Colleges & Universities (HBCUs) in an effort to attract and recruit diverse talent for roles in land development, management, sales, marketing and IT.

Alabama A&M University	Morgan State University	North Carolina Central University
Alcorn State University	Norfolk State University	Prairie View A&M University
Bowie State University	Xavier University of Louisiana	Spelman College
Delaware State University	North Carolina A&T State University	Tuskegee University
Fayetteville State University	Florida A&M University	University of Maryland Eastern Shore
Howard University		

- In order to promote an inclusive work environment, our leadership team began hosting quarterly Town Hall events. These live events provide all associates with an opportunity to hear about the Company's progress and strategic initiatives, and to ask questions directly of our CEO, CFO and Group Presidents. We encourage associates to provide candid feedback and ask questions directly or anonymously, if preferred. Our leadership team is committed to answering every question received, either during the Town Hall or posted after the event on our Company intranet. With associates working across 14 states and a variety of functions, our Town Halls play a crucial role in ensuring a shared sense of purpose and belonging at the Company.



We believe that our focus on diversity and inclusion across the organization positions the Company to deliver innovation and growth.

Diversity leadership starts at the top. Our national homebuilding operations are managed by two Group Presidents, one of which identifies as black and has held the position for over six years. We have a diverse associate base comprised of 26% non-white associates. Additionally, 43% of our associates are women, and women represent 38% of all associates in manager and above positions.

Our efforts towards achieving gender equality are especially pronounced with respect to the composition of our Financial Services Group. This group is comprised of K. Hovnanian American Mortgage (KHAM) and Eastern National Title Agency, Inc. (Eastern), both of which are led by women division presidents. Further, both divisions are primarily managed by women leadership in various positions. At KHAM, 70% of VP positions and higher are held by women, and at Eastern, 30 of the 37 total associates are women. Furthermore, women are also well represented in our Corporate offices, there are 25 VPs, 14 male and 11 women. 17 of the 25 VPs work out of our Matawan NJ Headquarters, 9 of these VPs are women.

### EEO-1 2022 DATA

	Women Associates	Ethnically Diverse Associates
<b>Total Company</b>	<b>44%</b>	<b>26%</b>
<b>Administrative Support Workers</b>	<b>84%</b>	<b>39%</b>
<b>Craft Workers</b>	<b>4%</b>	<b>8%</b>
<b>Laborers and Helpers</b>	<b>0%</b>	<b>15%</b>
<b>Management</b>	<b>26%</b>	<b>17%</b>
<b>Operatives</b>	<b>0%</b>	<b>13%</b>
<b>Professionals</b>	<b>36%</b>	<b>28%</b>
<b>Sales Workers</b>	<b>63%</b>	<b>32%</b>
<b>Technicians</b>	<b>25%</b>	<b>25%</b>

Data includes full time, part time and temporary associates.

“The Company is fully committed to creating a work environment that is safe, fair, and where its directors, officers, managers, associates, customers, business partners, trade partners and investors are treated with dignity and respect.”

[Enterprise Labor Rights and Human Rights Policy](#)





## ASSOCIATE DEVELOPMENT

In fiscal 2022, our Accelerated Leadership Development Program (ALDP) graduated its second class following the initial success of the 2018 ALDP. The goal of this program is to identify and mentor leaders within and identify talent outside of the organization in order to drive growth and value creation, as well as considerations for succession planning. We actively seek to attract women and candidates of diverse backgrounds to the ALDP, and we significantly increased the proportion of women and underrepresented groups by 44% with our second ALDP class.

### OTHER EFFORTS RELATED TO LEADERSHIP DEVELOPMENT:

In fiscal 2022, we partnered with an outside learning vendor to offer two six-week courses, one for new managers and one for experienced managers. In fiscal 2022, 33 senior leaders continued or started working with a coach. This compares to 4 leaders in fiscal 2021.

We introduced a Division Leadership Playbook series for the division president level to enhance and strengthen division leadership. The program focuses on strategic thinking, critical thinking & decision making for the changing needs of leaders as they progress through the Company. The goal of this training is to provide a clear line of sight on how to lead and manage talent today and prepare for the future needs of our organization. In 2022, we conducted four leadership events with an outside learning partner on topics designed to improve leadership, strategic effectiveness, and the ability to build/strengthen high performing teams. Each session included interactive discussions, and/or application assignments designed to assess current strengths, opportunities for improvement and strategies to achieve and exceed strategic priorities. In 2023, our goal is to expand the Leadership Playbook series in both content as well as include the participation of more leaders throughout the Company.

We increased our use of the 360° feedback process to assess and improve leadership competence.

- 360° feedback is a confidential way to provide an individual with feedback from multiple sources on the leader's competencies. In addition to competency-based feedback, this process also identifies those factors that are most important to success in one's particular job role. In short, the 360° process is an opportunity for that individual to take the feedback and use it as a basis for development.
- The 360° feedback process is used as a tool to increase awareness and strengthen leadership development.
- Participants are those in key positions including senior leadership roles, participants of the accelerated leadership development program, high potential leaders, and successor candidates.
- Most of the 360° feedback recipients also continue to work with an outside leadership coach.



The Company continues to expand its use of outside leadership/executive coaching and development planning.

- Leadership/executive coaching includes a defined process focused on helping individual leaders identify and achieve professional growth and development goals.
- Using multiple one on one coaching sessions, the coach and participant create a development plan, and targeted action items and strategies to achieve goals.
- The process also includes a series of debrief sessions including the coaching participant's leader to monitor progress and ensure alignment.

## CONSTRUCTION TRAINING



A company's greatest asset is a well-trained team of professionals working towards a common goal. To help our newly hired construction associates integrate into our existing teams, we have implemented a standardized on-boarding process. Typically, a new associate will spend the first week with the Company in the Division office. Here they will complete a new-hire curriculum, introductory courses on our online production management software, and a series of courses we call "Construction Strong Start". Part of the strong start curriculum is completed in the office, such as meetings with department heads, and our online stormwater and safety courses. Once these courses are complete, the new construction associate will be released to the field to join their community team. In the field, they meet with the different disciplines that make up their community team, such as sales and service. The goal of this training is to reinforce what they have learned in the office as well as specific information about their community and the community team.

Within six weeks of their start date, all new construction associates attend our Construction Strong Start Training Event. During the COVID-19 pandemic, this course was taught online using Microsoft Teams. With the relaxing of travel restrictions, we were able to return to in-person classes starting with our May 2022 session. Here, the construction associates learn about our organization's history, structure, strategy and operations. These classes are designed to further reinforce the training they have already received and to provide more in-depth training on our processes and systems. In fiscal 2022, 130 associates completed this training. We actively seek feedback from our attendees on the Strong Start Training Event and their onboarding process. Training does not end with this course.

An Assistant Community Construction Manager is someone who is often new to homebuilding. Upon completion of the Strong Start Training Event, they are assigned to our Homebuilding 101 curriculum. Through this course, they learn the steps required to build a home from foundation to finish under the tutelage of an experienced Construction Manager.

In our ever-changing industry, continual education is key. Each month a Technical Bulletin is assigned to our construction managers. These bulletins focus on issues or concerns identified by our Quality Coaches during their field assessments, new product specifications, or manufacturers installation requirements. Of the 144 construction related courses available to our associates, 59 were created this year alone. In fiscal 2022, 390 construction associates completed 6,471 construction training courses. All construction training is available to anyone in the Company who chooses to take them. Nearly 400 courses that were not required have been voluntarily accessed by our associates in fiscal 2022.

We have committed considerable resources to furthering our associates' personal and professional growth. We have a repository of over 500 training modules/courses to facilitate these learning sessions in both in-person and virtual settings, including mandatory diversity, ethics, sexual harassment and safety training courses.



## CUSTOMER SATISFACTION



The Company's goal is that every home will be delivered to our homebuyers 100% Complete, Clean and Customer Ready. These are the guiding principles that our construction associates apply day in and day out in an effort to delight and exceed our homebuyers' expectations. We strive to maximize each homebuyers' first impression of, and satisfaction with, the quality of the K. Hovnanian home they purchased. We currently utilize a minimum of four structured meetings, between our homebuyers and our associates, throughout the construction process in order to ensure that we achieve our goal. We obtain candid feedback from our customers regarding their homebuying experience through a third-party customer engagement expert, with 68% responding to our 45/60-day survey and 47% to our 12-month survey. In fiscal 2022, 82% of these homebuyers would recommend us to a friend or family member.

We believe that it is possible for everyone to live in a beautiful home without a complex process and expensive price tag. We have recently rolled out two initiatives that will help us achieve this goal. First is a simplified national portfolio, which is our common set of floorplans, specifications, options and SKUs. The second is "Looks" – a unique collection of interior designs curated for our homebuyers. The goal of this approach is to simplify and de-stress the home homebuying process that we believe should lead to an even more enjoyable homebuying experience and improved customer satisfaction.

# Looks



K. Hovnanian® Homes

**4.3 STARS OUT OF 5 STARS**

Trustbuilder® ratings and reviews are powered by NewHomeSource™, the leading new home website delivering honest reviews from real homeowners about the homebuying experience. To provide a credible and accurate representation of buyer sentiment, all homebuyer reviews are independent and transparent. In other words, the reviews are real.

*Our*  
**ASPIRE  
COMMUNITIES**



## MAKING HOME OWNERSHIP AFFORDABLE

As an organization, we are also keenly focused on the development of affordable housing. Historically, the Company has built over 1,450 homes that are specifically restricted to households earning 50% and 80% of the median income and have deed restrictions to ensure affordability on resales for extended periods of time.

In addition, with the offering of our Aspire communities, 3,074 homes have been sold in the last six years at lower prices than our normal first-time buyer homes. Our Aspire homes extend our product offerings to a whole new set of buyers, many of whom thought that homeownership was unattainable. Our Aspire homes offer the advantages of new construction, but we are able to offer these homes at a lower price due to their size, location and simplified features.

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## ASPIRE HOMES DELIVERED





## SAFETY FIRST



Home construction presents a demanding environment, and we strive to ensure that all of our associates and trade partners go home safely every single day.

We pride ourselves on providing a safe and healthful place to work. Safety must be considered in all aspects of our business. Work must be preplanned and performed with safety as equally important as cost, quality and production. No single feature of our work is of greater importance than the prevention of injuries and illnesses. We strive to be in compliance with all applicable health and safety regulations, including all applicable laws as well as internal policies related to our own quality construction standards, many of which exceed the applicable regulatory requirements. Our Company's Safety and Health Program embodies the prevention of accidental injury, occupational illness and property damage. Company associates on our sites and in our offices are expected and required to conduct their work in a safe and healthful manner and to comply with the Company Safety and Health Program. The active interest and cooperative efforts of all concerned will ensure the effectiveness of this Program. All subcontractors and each of their subcontractors and suppliers, regardless of tier, have an obligation to perform their scope of the work using safe and healthful methods. Therefore, all work by all parties shall be performed in a safe and healthful manner, thus preventing recognized hazards and eliminating potential violations of federal, state and local safety and health codes, laws, regulations and standards. All reported incidents are reviewed at the Corporate level by legal, quality and risk. These combined efforts help create a safe and healthy environment for everyone.

We have a robust health and safety program that incorporates certain core elements into our field operations.

- **Management Leadership:** Safety is viewed as an important part of our Company culture which strives to have all associates return home to their families without injury each day. Senior management sets clear expectations and defines responsibilities across the Company as part of a written health and safety program. Furthermore, the Company has a named National Safety Process Owner. This is the associate responsible for the overall effectiveness of our safety program. Ample resources including time, people and money are devoted to the mission of safety across all communities and at all levels of the organization. Managers at all levels set the tone for safety during jobsite visits including the use of personal protective equipment. The Company also has a Regulatory Process Leadership Committee that is chaired by the National Safety Process Owner, whose role was discussed above. This Committee is comprised of the operations leadership from around the Company and one of the main areas of focus is on the safety program.
- **Associate and Trade Partner Participation:** All associates and trade partners are encouraged to bring safety concerns to the forefront. Safety committees are utilized in several divisions to provide associates with an opportunity to share feedback and to help influence local decision making with respect to safety issues. All jobsites across the Company participated in the National Stand Down to Prevent Falls in Construction in May 2022. Toolbox Talks were held along with demonstrations of fall protection equipment to better educate field associates and trade partners exposed to fall hazards. All field associates and trade partners on every jobsite have "Stop Work Authority" which allows them to temporarily stop work if they feel an activity or operation is unsafe.

- **Hazard Identification and Assessment:** Field teams are to conduct weekly safety inspections to identify and correct hazards. In addition, the Corporate Quality Team performs regular assessments of jobsites to assess administrative practices and to help identify hazards. Checklists have been developed to highlight and identify what to watch for as to safety hazards. Safety incidents are investigated to understand root causes and learn from the event so as to avoid a repeat occurrence. Local management is notified promptly of incidents that occur to help provide support and guidance in the moments following an incident and the subsequent investigation. The National Safety Process Owner is also notified so that pertinent details regarding any injury or illness that occurs on a jobsite can be shared across the Company. This communication informs field teams of things to watch for to help prevent a similar incident on their jobsites.
- **Hazard Prevention and Control:** A risk-based approach to hazard prevention and control is used to minimize the potential for injury to associates and trade partners. Those hazards with the highest risks for significant harm are carefully analyzed to determine the approaches most likely to keep our associates and trade partners safe. The Company's "Code of Safe Practices" provides detailed guidance to associates and trade partners in how best to prevent injury and illness.
- **Education and Training:** All field associates receive on boarding safety training prior to reporting to the jobsite so they understand our Company policies and are prepared to enforce the Company safety program. Associates also receive regular safety training to reinforce company policies and OSHA standards. Many associates also receive OSHA 10-hour and 30-hour training classes. These courses provide a deeper focus on a variety of topics including fall protection, trenching and excavation, electrical, and health hazards in construction.
- **Program Evaluation and Improvement:** Senior leaders at the division and group level regularly review the results of jobsite assessments to identify areas that might require additional attention and to identify safety trends across jobsites. In addition, an annual review of the health and safety program is conducted to assess the effectiveness of the existing policies and procedures. Changes are made to the program based on the results of safety assessments, changes to OSHA standards, and safety incidents that have occurred.
- **Coordination and Communication with Trade Partners:** Pre-construction meetings are held with trade partners prior to the start of new communities to set expectations for safety performance and to answer questions prior to the start of construction. On active jobsite communities, Toolbox Talks are conducted every other week to review safety observations or safety violations that have been seen most recently on the jobsite and to discuss a safety topic pertinent to the work currently being done on site. Field associates and trade partners are regularly reminded of the important role they play in identifying safety issues that need to be addressed and the need to report these to our field teams. An important part of those reminders is the recognition that everyone on the jobsite plays a crucial role in safety outcomes and that we value their input.

In addition to our safety protocols and policies, the Company closely monitors all incidents that occur throughout our communities, consistent with its long-standing policies and procedures for the reporting of all job-site incidents and claims to ensure Corporate visibility and oversight. In the 2022 calendar year, the Company's total recordable incident rate (TRIR) was 1.71, which is much better than the homebuilding industry average of 2.9 (1). Additionally, in the 2022 calendar year, the fatality rate was zero. Furthermore, the Company has an extensive internal safety program, in fiscal 2022, 996 associates completed 1,966 safety training sessions.

With respect to COVID-19, Hovnanian put the safety of its associates, trade partners and customers as its top priority. We were quick to respond with our companywide COVID-19 Prevention, Preparedness & Response Plan and further implemented state-specific COVID-19 plans where required. Our COVID-19 plans were generated and periodically amended following the most current guidance from the Center for Disease Control (CDC) and the Occupational Safety and Health Administration (OSHA) as well as state requirements based on the geographic location of our various divisions. We continue to monitor any heightened risks associated with COVID-19 throughout our operations.

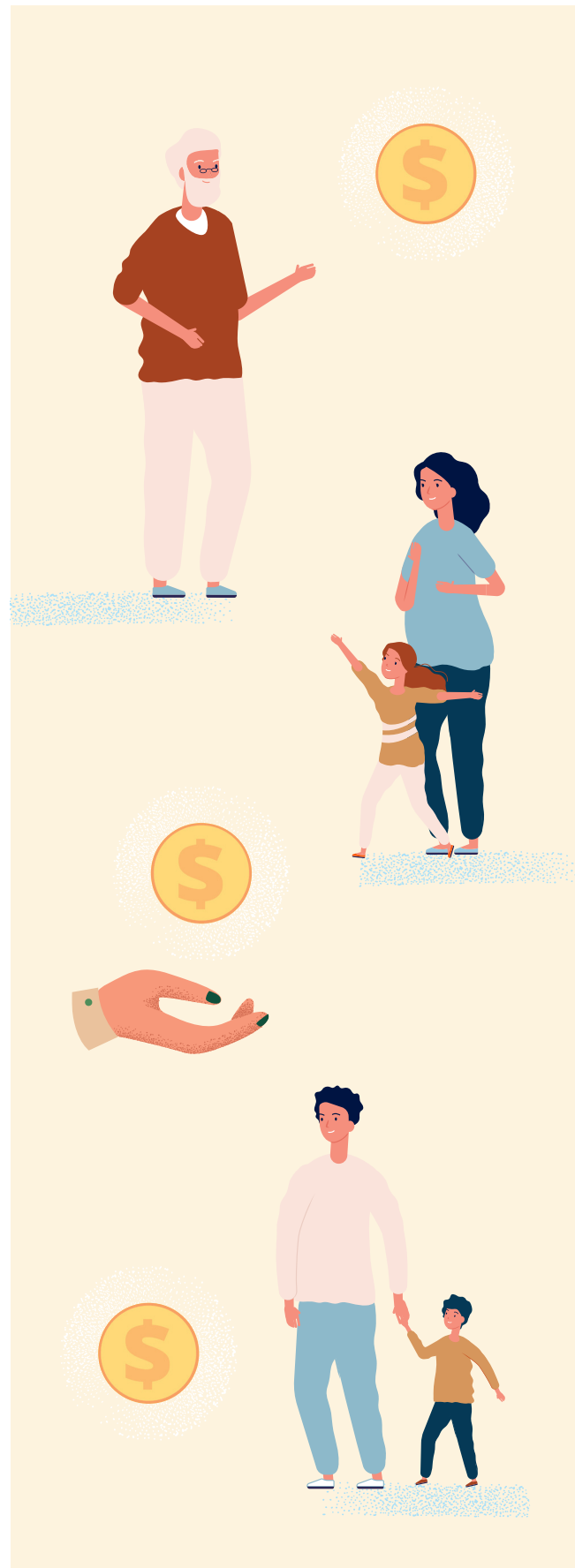
In light of the Company's experience managing the pandemic, the Company introduced a hybrid work schedule in fiscal 2021 and implemented it throughout fiscal 2022 whereby, most office associates may work two days a week from home. We believe this change to a hybrid work model will promote a healthier work and home life balance for our associates while simultaneously providing the environmental benefits of having fewer vehicles on the road. In addition to the weekly hybrid schedule, associates can work remotely up to eight weeks a year. The idea is to allow associates to travel or work from home and still allow for extended time with family and friends.



(1) TRIR is the number of OSHA recordable work-related injuries/illnesses of all our associates, compared to the number of total hours worked by all our associates. The industry average is based on the most recently published information from OSHA.



GIVING BACK *to*  
OUR COMMUNITIES  
& OUR PEOPLE



Fundamental to the Hovnanian culture is an emphasis on helping our respective communities.

As such, the Company facilitates the involvement of Hovnanian associates with variety of charitable causes, community outreach programs and other philanthropic activities in their local markets, including Habitat for Humanity, beach cleanups, as well as food and coat drives. As an organization, we take seriously our responsibility to strengthen the communities where we operate. Over the years, the Company and the Hovnanian family have donated millions of dollars to fund hospitals, scholarship funds, educational institutions and victims of 9/11, as well as other disaster relief efforts. In the last three years the Company has made charitable donations in excess of \$1 million dollars.



In 1998, the Company formed the Marie Fund as a source of assistance for associates who experience a financial crisis which impacts their basic quality of life. The funds used to help associates are predominantly drawn from donations from their coworkers. Hovnanian then matches every associate contribution dollar for dollar, while other contributions come from vendors or fundraisers. All associate contributions are voluntary. Since the inception of the plan, the Marie Fund has distributed more than \$2.6 million dollars to associates in need.

# GOVERNANCE

We have an extensive history of strong corporate governance practices which we attribute, in part, to our long-term success. Our Board of Directors and senior management have taken numerous steps to enhance our policies and procedures to comply with the corporate governance listing standards of the New York Stock Exchange (NYSE) and the rules and regulations of the Securities and Exchange Commission.

“The Code of Ethics is intended to remind Associates of core values of honest and ethical conduct which are the basis for our business practices and conduct, and to remind Associates of their responsibility to make decisions that foster a responsible and ethical working environment.”

[Code of Ethics](#)

## We are committed to integrity and accountability in all aspects of our business.

**Our Board of Directors has eight members, six of whom are independent, two of which are women including one woman of ethnic diversity.**

**All of our directors along with our chief executive officer and chief financial officer are subject to stringent stock ownership guidelines.**

**Our Board of Directors has a lead independent director.**

**Cybersecurity sub-committee meets at least two times per year.**

**Directors are elected via majority voting.**

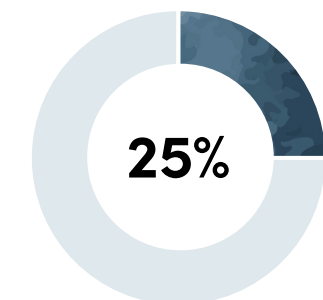
**Our Board of Directors engages in an annual self-assessment.**

## DIVERSITY OF THE BOARD:

**All members of our board committees are independent.**

**All directors stand for election annually.**

**During fiscal 2022, our Board of Directors formalized and approved the following policies: “[Enterprise Anti-Corruption and Anti-Bribery Policy](#)”, “[Enterprise Environmental Policy](#)” and “[Enterprise Labor Rights and Human Rights Policy](#)”**



Women



## ETHICS HOTLINE

We have an anonymous 24/7 ethics hotline monitored by an independent third-party company and remind all associates that have any questions or concerns about workplace safety or illegal acts or unethical conduct to freely come forward and report any such concerns without fear of retaliation. For more than 16 years, we have encouraged associates to utilize this hotline.

**We are committed to upholding and continuing our good corporate governance practices with a focus on transparency and accountability in order to drive our long-term success and deliver value to all of our stakeholders.**

The Hotline's telephone number 1 (855) 773-4657 is made available to Associates through various communication channels.



## APPENDIX

SASB - HOMEBUILDERS SUSTAINABILITY DISCLOSURE TOPICS & ACCOUNTING METRICS		2021	2022
Land Use & Ecological Impacts	1. Number of (1) lots and (2) homes delivered on redevelopment sites	– (2) 974	(1) 7,120 (2) 1,252
	2. Number of (1) lots and (2) homes delivered in regions with High or Extremely High Baseline Water Stress	(1) 6,049 (2) 1,650	(1) 4,430 (2) 1,429
	3. Total amount of monetary losses as a result of legal proceedings associated with environmental regulation (\$ in millions)	\$0.0	\$0.8
	4. Discussion of process to integrate environmental considerations into site selection, site design, and site development and construction	pg. 11	pg. 11 & pgs. 18-21
Workforce Health and Safety	5. (1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	(1) 1.13 – –	(1) 1.71 (2a) 0.00 (2b) 0.00
	6. (1) Number of homes that obtained a certified HERS Index Score and (2) average score	– (2) 63	– (2) 60
Design for Resource Efficiency	7. Percentage of installed water fixtures certified to WaterSense specifications	–	–
	8. Number of homes delivered certified to a third-party multi-attribute green building standard	–	–
	9. Description of risks and opportunities related to incorporating resource efficiency into home, design, and how benefits are communicated to customers	pg. 16	pgs. 12-15
	10. Description of how proximity and access to infrastructure, services, and economic centers affect site selection and development decisions	–	–
Community Impacts of New Developments	11. Number of (1) lots and (2) homes delivered on infill sites	(1) 18,874 (2) 5,257	(1) 18,577 (2) 4,677
	12. (1) Number of homes delivered in compact developments and (2) average density	(1) 1,470 –	(1) 1,917 –
Climate Change Adaptation	13. Number of lots located in 100-year flood zones	621	831
	14. Description of climate change risk exposure analysis, degree of systematic portfolio exposure, and strategies for mitigating risks	–	–
Activity Metrics	15. Number of controlled lots	32,672	32,642
	16. Number of homes delivered	6,793	6,090
	17. Number of active selling communities	140	133

*All estimates and claims related to energy savings or performance are derived from third-party consultants, rating services and/or our own assumptions, based on the EPA's methodology and average energy use and scores. The actual energy savings and performance of any home or any of its features including the actual energy savings may vary greatly. The potential savings and performance will further depend on the personal energy consumption choices of the occupants and changes in energy-provider rates and programs, as well as other factors. The information covered by this Report contains forward-looking statements within the meaning of the United States federal securities laws, including statements regarding our goals, aspirations, strategies or our future initiatives or actions and their expected results. These statements are based on current expectations, beliefs, intentions and projections about future events and are not guarantees of future performance. Actual events and results may differ materially from those expressed or forecasted in forward- looking or aspirational statements due to a number of factors which are identified in our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission. Those reports are available on our website and on the Securities and Exchange Commission's website [www.sec.gov](http://www.sec.gov). Except as required by law, we assume no obligation to update any forward-looking statements or information. All rights reserved.*





**Hovnanian**  
*Enterprises, Inc.*