

# Better Homes, Better Living

Meritage Homes  
2012 Corporate Sustainability Report





Meritage is an industry leader and champion for sustainable homebuilding practices.



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About This Report

The *Meritage Homes 2012 Corporate Sustainability Report* is our first such report focusing on the combined financial, environmental and social aspects of our business. This report discusses the sustainability of our homes and areas where we make a positive difference for our homeowners, employees, shareholders, trade partners and the communities in which we operate. We intend to publish a corporate sustainability report on an annual basis, with a more comprehensive update every other year. We publish our corporate sustainability report as a PDF rather than print to reduce the resources consumed in its production.

The *Meritage Homes 2012 Corporate Sustainability Report* conforms to the principles outlined in the Global Reporting Initiative (GRI) *Sustainability*

*Reporting Guidelines* version 3.1 and fully complies with the GRI's C application level, which is typical for a first corporate sustainability report. The GRI is a nonprofit, network-based organization that has developed the world's most widely used sustainability reporting framework.

This report represents Meritage through calendar year 2012, unless otherwise stated, and represents those business activities for which we generally have complete control or ownership. Since we lease our corporate and divisions' office spaces, the operational performance of our office space is excluded from this report. We own our sales offices located within our model homes, and these facilities meet the same energy-efficiency standards as our new homes.

Message from Meritage Homes Chairman and Chief Executive Officer

We pledge to be a responsible corporate citizen as we seek to enrich the lives of our homeowners, employees, shareholders, trade partners and the communities in which we operate.

Welcome to the *Meritage Homes 2012 Corporate Sustainability Report*. This is our first report of its kind using the GRI *Sustainability Reporting Guidelines*. It reflects the entire Meritage team's dedication to setting the standard for energy-efficient homes. Meritage has been setting the standard since 2010, and we felt it was important to publicize our commitment and progress, not only in the area of product sustainability, but more broadly in corporate sustainability.

Over the past 27 years, Meritage has developed a reputation for distinctive style and quality construction, and has grown into one of the nation's leading high-production homebuilders. Since our inception, Meritage has stood for quality and value. In 2008, we resolved to improve the energy efficiency of our homes by changing what and how we build. We redesigned our homes from the ground up to show how homes can and should be built to improve the quality of life for homeowners, their communities and the environment. The result differentiated Meritage homes with a powerful value proposition that was difficult to match with older homes and other new homes.

Initially, we championed the ENERGY STAR® Certified Homes program as the baseline for every home we started in 2010. Since then, we have continued to advance industry standards by being an innovator and strong advocate of sustainable building practices. We go above and beyond the minimum required building codes and standards to build some of the most energy-efficient homes in the country, and our homes far exceed ENERGY STAR standards today. In recognition of our ongoing industry leadership, we received the U.S. Environmental Protection Agency's (EPA) prestigious ENERGY STAR 2011 Partner of the Year and 2013 Sustained Excellence Award for our commitment to educating our employees, industry stakeholders and the public about the value and benefits of energy-efficient homes.



Steven J. Hilton

Some of our key accomplishments in 2012 included:

- Surpassing nearly 28,000 ENERGY STAR certified homes delivered since 2001;
- Offering cost-effective NET ZERO homes and triple-certification with all EPA home labels — ENERGY STAR, WaterSense® and Indoor airPLUS;
- Augmenting our mandatory sales training programs with an advanced energy-efficiency course and a continuing education course for REALTORS®, highlighting the value and benefits of ENERGY STAR;
- Educating homebuyers about the value and benefits of sustainable building practices and our ENERGY STAR certified homes at more than 85 Learning Centers throughout the U.S.;
- Training suppliers, trade partners and employees on ENERGY STAR requirements and other advanced and sustainable building practices at management training days; and
- Giving back to our communities through our 2012 Outpour community outreach program.

We value our employees. A company's principal responsibility to its employees is to be profitable, which is the basis for sustainability. Meritage was one of the first homebuilders to return to profitability after the worst downturn in the housing market's history, and 2012 was our most profitable year since 2006. The differentiation of our homes helped achieve those results. Building the most energy-efficient homes creates value throughout our organization by offering a more compelling value proposition for homebuyers, creating opportunities to attract and retain great employees, and strengthening our relationships with brokers, trade partners, regulators, municipalities and other stakeholders.

We strive to provide an exceptional customer experience reinforced by respecting our employees and trade partners, rewarding high performance and creating an environment of personal growth and fun.

We support educational, cultural and civic organizations to strengthen the communities within each operating division. We contribute financially to charitable organizations and promote employee participation in nonprofit programs and events to improve the communities where we live and work.

Our core purpose is to enrich lives by building the American Dream. We pledge to be a responsible corporate citizen as we seek to enrich not only the lives of our homeowners, but also the lives of our employees, shareholders, trade partners and the communities in which we operate. That pledge includes practicing responsible stewardship of environmental resources and conducting ourselves with integrity and the highest regard for ethical business practices. In the spirit of transparency, we plan to use the GRI sustainability reporting framework to measure our progress.

As we grow, our commitment to corporate sustainability will endure.

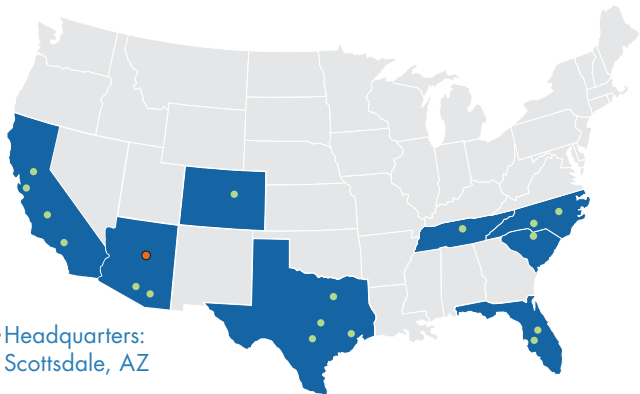
Steven J. Hilton  
Chairman and Chief Executive Officer  
Meritage Homes



# About Meritage Homes

Meritage is one of the 10 largest single-family homebuilders in the U.S. with operations in 16 major markets across the Western, Southern and Southeastern U.S., including 12 of the 20 largest markets for single-family homebuilding in 2012. We have designed and built more than 75,000 homes in our 27-year history and lead the industry in large-scale sustainable homebuilding practices. With a reputation for distinctive style and quality construction, Meritage is setting the standard for energy-efficient homes, allowing our customers to live better. Meritage was the first national builder to exceed EPA ENERGY STAR requirements in every home we build, the first to reduce energy and water demand by 50% as a standard feature of our home designs, and the first to have a national renewable energy program that cost-effectively achieves NET ZERO energy consumption.

## Meritage Markets



Operations in Las Vegas, NV, discontinued in 2013, but are included in 2012 results. We acquired Nashville, TN operations and expanded into York County, SC, in 2013.



Our core purpose is to enrich lives by building the American Dream. Meritage takes pride in designing and building homes and communities that are innovative, built with care and superior craftsmanship, and deliver enduring value, while practicing responsible stewardship of environmental resources. We strive to provide an exceptional customer experience by respecting employees and trade partners, rewarding high performance and creating an environment of personal growth and fun.

### At Meritage, we are guided by these values:

- We must perform our daily activities with the highest standards of honesty and integrity.
- We take pride in everything we do.
- We value our entrepreneurial culture and the empowerment of employees in the pursuit of excellence.
- We are committed to excellence and an uncompromising desire to satisfy our customers.
- We will reward our stockholders by striving to produce superior financial results, recognizing that profitability and growth are essential to our continued success.
- We earn the trust and loyalty of our customers by doing what we say and treating others fairly.
- We are committed to providing quality and value in every home we build.
- We value and respect our employees, customers, trade partners and investors for their skills, experiences, beliefs and resources.
- We recognize outstanding performance by rewarding both team and individual accomplishments. Meritage promotes a competitive spirit in an atmosphere where we work hard and have fun.
- We share our success by giving back to improve the quality of life in the community.

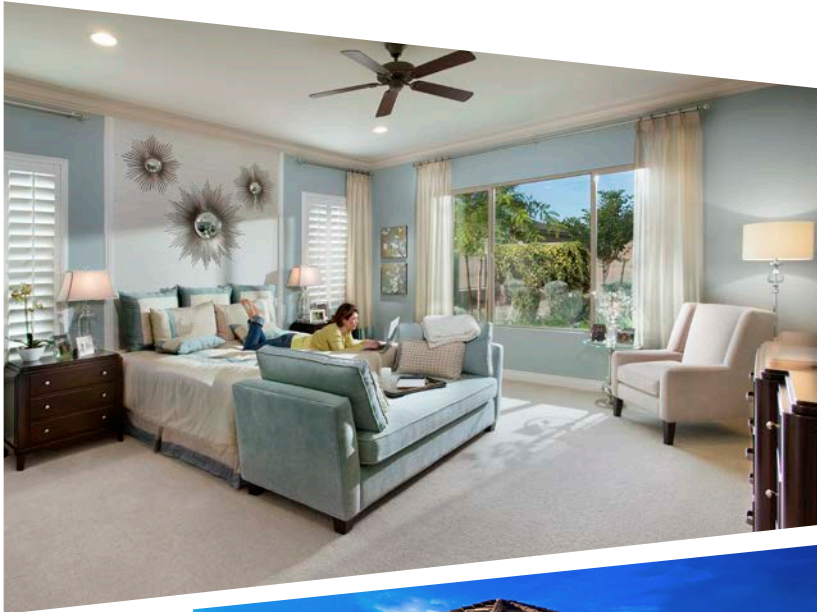


# About Meritage Homes

## Financial Performance

Meritage achieved impressive growth and strong financial results in 2012. Total orders for the year reached a five-year high. We closed on 30% more homes than in 2011, generated 39% more revenue and experienced a 42% increase in stockholders' equity. We believe those results reflect not only an improved housing market in 2012, but the success of strategies that positioned us to compete effectively and outperform the general market, including our strategy to lead the industry in building, educating and advocating for advanced building practices.

Additional financial performance and operational results for 2012 and prior years, including discussion of material risk factors, are available in our [2012 U.S. Securities and Exchange Commission Form 10-K](#) and the [Meritage Homes 2012 Annual Report](#).



### Selected Highlights

Unaudited (Dollars in thousands except per share amounts)

	2012	2011	2010	2009	2008
<strong>INCOME STATEMENT DATA</strong>					
Home closing revenue	\$1,184,360	\$ 860,884	\$ 940,406	\$ 962,797	\$1,505,117
Home closing gross profit <sup>(1)</sup>	\$ 217,976	\$ 147,448	\$ 167,456	\$ 18,693	\$ 5,280
Diluted earnings/(loss) per share	\$ 3.00	\$ (0.65)	\$ 0.22	\$ (2.12)	\$ (9.95)
<strong>OPERATING DATA</strong>					
Homes ordered	4,795	3,405	3,383	3,853	4,620
Homes closed	4,238	3,268	3,700	4,039	5,627
Average price of homes closed	\$ 279	\$ 263	\$ 254	\$ 238	\$ 268
Actively selling communities	158	157	151	153	178
<strong>BALANCE SHEET DATA</strong>					
Total assets	\$1,575,562	\$1,221,378	\$1,224,938	\$1,242,667	\$1,326,249
Stockholders' equity	\$ 694,210	\$ 488,912	\$ 499,995	\$ 485,425	\$ 527,206
Book value per share	\$ 19.49	\$ 15.05	\$ 15.56	\$ 15.26	\$ 17.17

(1) Home closing gross profit for 2012, 2011, 2010, 2009 and 2008 was reduced by \$1.3 million, \$8.9 million, \$6.4 million, \$111.5 million and \$195.0 million, respectively, due to the impact of write-offs related to lot option deposits, pre-acquisition costs and inventory valuation impairments and \$6.0 million in 2009 of charges related to Chinese drywall remediation costs.



About Meritage Homes

Corporate Governance

Meritage operates within a comprehensive plan of corporate governance to define responsibilities and set high standards for ethical conduct. We regularly monitor developments in these areas. Our business is conducted under the direction of our chairman and chief executive officer with the oversight of our board of directors. Our stockholders elect each member of our board of directors to oversee the management of our business and ensure that stockholder interests are met. To learn more about corporate governance at Meritage, visit <http://investors.meritagehomes.com/od.aspx?iid=4019729>.

Employees

At Meritage, each employee contributes directly to our growth, success, and the service and satisfaction of our customers. We take pride in being a member of a customer-driven team. Each of our employees represents the dedication to quality, service and accountability that has made Meritage a leader in the homebuilding industry.

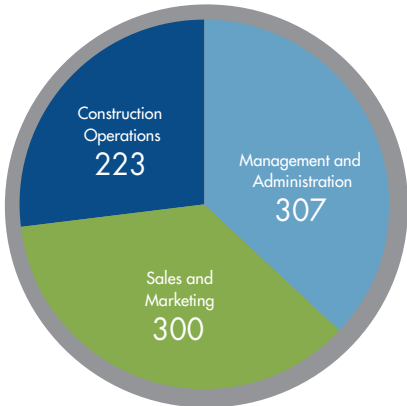
We care about our employees, their health and security and that of their families. Meritage provides a comprehensive health and welfare program to qualified employees to provide financial protection from today's high costs of catastrophic illness or injury and to prepare employees for

a financially secure retirement. As of December 31, 2012, we had approximately 830 full-time employees, with 85% participating in at least one component of Meritage's health and welfare program.

Our wellness incentive program encourages employees and their families to measure, monitor and improve their health through a variety of incentives and benefits. The program has not only been positively received by employees, but has resulted in reduced medical insurance costs per participant, which are well below the national average.

In addition to paid time off and paid holidays, we offered our qualified employees the following in 2012:

- 401(k) retirement savings plan
- Medical and prescription coverage
- Dental coverage
- Vision coverage
- Flexible spending accounts
- Adoption assistance
- Employee assistance program
- Education reimbursement
- Employee home purchase discount reimbursement program



Part-time employees are also eligible to participate in certain benefits of our health and welfare program, including our 401(k) plan, employee assistance program and our wellness program.

Meritage supports employees interested in furthering their understanding of the homebuilding industry and furthering their career growth through formal education. Our Center for Excellence offers training on a wide variety of topics including health and wellness, personal improvement, sales and builder training. In 2012, our employee-instructors devoted 1,380 hours of their time to better educate and equip our 200 sales associates with the tools they need to be successful. This training included adding to our mandatory sales training programs a 12-hour advanced energy-efficiency course, and a certified three-hour continuing education course for REALTORS, highlighting the features and benefits of sustainable building practices.

We also worked to train our suppliers and subcontractors on ENERGY STAR requirements and other advanced building practices at mandatory management training days in all of our divisions.

Sustainable Living

At Meritage, we believe sustainable homebuilding is more than just using green materials or offering selected green features at additional costs to the buyer. Truly sustainable homebuilding requires a commitment to designing homes to function better — as an integrated system of features that work together to maximize the benefits of each — at little or no extra cost to the buyer, and adopting that as a standard practice. We build some of the most energy-efficient homes in the country, saving our homeowners up to 80% on energy costs.<sup>(2)</sup> Our homes are not just energy-efficient; they are healthier, quieter, safer, cleaner and more comfortable than standard homes.

To create repeatable improvements, we work with suppliers, subcontractors, REALTORS and mortgage underwriters to assist in recognizing the economic value in better functioning homes. We also create awareness of the improved value of our homes throughout the buying, ownership, and resale processes.

Meritage's History of Sustainable Building Practices

We have always incorporated energy-efficient and sustainable building practices into our homes. Recent sustainable building milestones include:

2009	2010	2011	2012
Committed to take the lead in sustainable building practices by implementing a strong, unified sustainability platform across all divisions	Exceeded ENERGY STAR requirements on all new homes built	First builder to reduce energy and water use by 50% as a standard feature of our new home designs	National Association of Home Builders' National Green Building Awards Project of the Year for Single Family Production
Established a new vice president of environmental affairs position to lead our sustainability platform	Began advocating for sustainability regulations in the homebuilding industry	First builder to have a national renewable energy program that cost-effectively achieves NET ZERO energy consumption	Began triple-certifying homes to EPA ENERGY STAR, WaterSense and Indoor airPLUS standards
Started providing Learning Centers at community model home complexes to educate prospective homeowners about the benefits of sustainable living			

Going forward, we will continue to explore opportunities to use sustainable building practices to create value for our homeowners, employees, shareholders, trade partners and the communities in which we operate.

"Meritage Homes leads energy-efficient home design by example, which is why we've repeatedly recognized Meritage with awards including Leadership in Housing, 2013 Partner of the Year for Sustained Excellence, and ENERGY STAR Builder of the Year. Meritage was the first national homebuilder to ENERGY STAR certify all of its homes; the first to exceed ENERGY STAR requirements on all new homes; and the first to offer triple-certification of its homes to ENERGY STAR, WaterSense and Indoor airPLUS."



Dean Gamble  
ENERGY STAR New Homes Program, U.S. EPA

<sup>(2)</sup> Actual energy savings may vary and may depend in part on occupant behavior, timing and/or fluctuating costs of energy usage and actual climate zone conditions. All referenced energy savings, water reduction and ultraviolet ray reduction information is based on data published by the EPA and U.S. Department of Energy (DOE).

Our Achievements

Meritage is a leader and innovator in energy-efficient homebuilding. To learn more, visit [www.meritagehomes.com/whybuy/energyefficient](http://www.meritagehomes.com/whybuy/energyefficient).





## Sustainable Living

### Our Achievements

We're proud to be setting the standard for energy-efficient homes. In 2012, our awards included:

- 2012 Project of the Year — Single Family Production, National Association of Home Builders' National Green Building Awards
- 2012 Gold Nugget Grand Award for Green Rated Home, Leading Builders of America (LBA) PCBC
- 2012 Marketing and Merchandising Excellence Green Builder of the Year, Building Industry Association of the Bay Area
- 2012 Green Building Single-Family Home of the Year, Greater Houston Builders Association

### Setting the Standard for Energy-Efficient Homes

From our unique standards in building techniques, to the energy-efficient features we include in every home, to our NET ZERO homes offered across the country, all of our homes far exceed the energy-efficiency ratings of most existing homes. They also go well beyond the Home Energy Rating System (HERS®) ratings of other national homebuilders and surpass ENERGY STAR certification standards.

### What is HERS?

HERS is a scoring system set by the Residential Energy Services Network (RESNET) to measure a home's energy efficiency and determine if it meets ENERGY STAR guidelines. The lower the HERS Index, the more energy-efficient the home and the less it costs to operate. Learn more about RESNET's HERS ratings at [www.resnet.us/energy-rating](http://www.resnet.us/energy-rating).

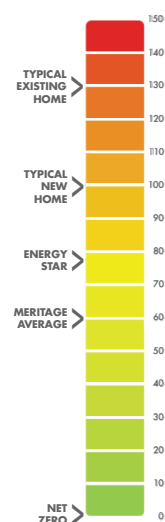
### 2012 Meritage Homes by the Numbers

- Number of Homes Closed: 4,238
- Average Home Square Footage: 2,732
- Total 2012 Energy Savings: 32,859,609 kilowatt-hours (kWh)
- Total 2012 Emissions Reduced: More than 23,000 metric tons of carbon dioxide equivalent (CO<sub>2</sub>e)

### HERS Score Comparison

- Average HERS Score: 62
- Estimated Annual Energy Consumption of a HERS 100 Home<sup>(3)</sup>: 20,308 kWh
- Estimated Annual Energy Consumption of a Meritage Home: 12,554 kWh
  - Annual Energy Savings: 7,754 kWh
- Estimated Annual Utility Cost of a HERS 100 Home: \$2,432
- Estimated Annual Utility Cost of a Meritage Home: \$1,506
  - Annual Utility Cost Savings: \$926

### HERS Index



For a more complete and current list of our accolades, visit [www.meritagehomes.com/whybuy/our-achievements.shtml](http://www.meritagehomes.com/whybuy/our-achievements.shtml).

## Sustainable Living

### Sustainability as a Standard

Sustainability refers to the concept that a new product, in our case a new home, will meet the needs of the present without compromising those of the future. A truly sustainable process can be repeated generation after generation by returning as much as is taken. For us, it means reducing the total energy and resources each home uses without requiring homeowners to sacrifice design or lifestyle. It also means constructing homes with materials that have a minimal impact on the environment both now and in the future. This approach allows greater adoption of sustainable practices and contributes to a national reduction of wasted resources every year.

At Meritage, we are proud to be setting the standard for energy-efficient homes, as we help create the template for the single largest reduction in a home's monthly operating cost with the least initial capital cost for production homebuilding in the U.S. We build every Meritage home with standard features that help

View an interactive version of what's behind the walls of a Meritage home at [www.meritagehomes.com/whybuy/](http://www.meritagehomes.com/whybuy/).

our homeowners live better by reducing their impact on the environment. Our homes consume up to 80% less energy and 50% fewer resources to operate, which translate into cost savings and a greater home value. These features include:

**SPRAY-FOAM INSULATION** fully insulates the walls and attic to help maintain temperatures and reduce fluctuations throughout the house while saving up to 40% on heating and cooling costs.

**LOW-E2 OR LOW-E3 VINYL WINDOWS** reduce energy loss by as much as 30% to 50% compared to regular windows. Low-E coatings are so thin you can see right through them, yet they prevent heat and ultraviolet rays from passing through the glass, keeping homes cooler.

**MINIMUM SEER-14 (SEASONAL ENERGY EFFICIENCY RATIO) HVAC UNITS** provide significant annual savings; compared with models 10 years old or older, cooling costs can be lowered 20% to 40% with newer, more efficient models. A more efficient heating and cooling system is quieter, reduces indoor humidity and improves the overall comfort of the home.

**FRESH-AIR INTAKES** help circulate fresh air into the home, improving the indoor air quality of the home.

**WEATHER-SENSING IRRIGATION** saves water by sensing when irrigation is or isn't needed, reducing wasted water by as much as 25%.

**NON-TEMPERATURE-TRANSFERRING WALL SYSTEMS** are 2.5 to 3.5 times more energy-efficient than a standard wall, keeping outside temperatures from transferring through to the interior of the home.

**ENERGY STAR CERTIFIED APPLIANCES** incorporate advanced technologies that use 10% to 50% less energy and water than standard models, which saves the homeowner money on utility costs.

**PROGRAMMABLE THERMOSTATS** regulate the temperature in the home, which reduces energy consumption and provides energy and cost savings. It is not unusual to achieve 30% heating and cooling energy use reductions with the pre-programmed settings that come with ENERGY STAR certified, programmable thermostats.

**LOW-VOC (VOLATILE ORGANIC COMPOUNDS) INTERIOR WALL AND TRIM FINISHES** help to improve indoor air quality.

**WATER-EFFICIENT FAUCETS** provide equal or better performance than conventional fixtures, while saving water and heating costs by as much as 50%.

**COMPACT FLORESCENT LIGHTING (CFL) AND FIXTURES** use 75% less energy, produce 75% less heat and last up to 10 times longer than standard incandescent bulbs. They are also safer to operate and can cut energy costs associated with lighting and cooling a home.

<sup>(3)</sup> According to RESNET, a standard new home achieves a HERS score of 100.





Renewable Energy

We currently offer the optional Echo® solar system nationwide. Echo is a revolutionary new solar energy system that allows the homeowner to maximize the home’s energy efficiency by harnessing the sun’s energy to produce electricity, heat water, and can help heat and cool the home. It also produces twice the energy per square foot as standard solar systems. We are in the process of partnering with renewable energy providers and local utilities to offer solar panels and solar water heaters in every home Meritage builds. In many of the communities where we build, residents are able to forecast the renewable energy savings directly from their utility provider. Through partnerships with utility providers for our communities, we are exploring ways to make renewable energy a viable option for as many residents as possible.

NET ZERO Homes

In addition to the sustainable building techniques and features in our homes, we build NET ZERO homes that have the capability of producing as much energy as the homeowner consumes. Energy is generated on-site with the Echo solar system. In 2012, our NET ZERO homes were available in communities in Phoenix

and Tucson, AZ and Las Vegas, NV. In 2013, we began offering renewable energy and the ability to build NET ZERO homes nationally.

Reduce, Reuse, Recycle

We strive to use materials that are locally produced, consume less energy than comparable materials, can be recycled or contain recyclable materials, last longer and produce less waste. Examples of this include locally sourced windows, concrete with fly ash, and engineered wood and particle board made from recycled materials. We participate in regional and local waste reduction and segregation programs such as those established in the state of California. We also focus on reducing waste during home construction as well as in our sales and corporate offices.

Land Development

Our leadership in building energy-efficient homes aligns us with sustainable business partners throughout our organization, including land trusts and developments focused on sustainable development. In Meritage-managed land developments, we incorporate sustainable development practices, such as the U.S. Green Building Council’s LEED (Leadership in Energy and Environmental Design) principles. Like all

sustainable practices, these principles allow Meritage to make better use of natural features and maintain an improved natural function throughout the life of the community.

Health and Safety as a Standard

In addition to promoting the health and wellness of our employees through our wellness incentive program, we require our third-party vendors and building trade contractors to comply with all applicable laws and regulations. We include this, as well as our construction site health and safety standards, in our contracts. In addition, many of our vendors and contractors have trade-specific health and safety standards with which they must comply. We hold storm water and dust control permits for all our communities and maintain compliance with these permits.

Sustainable Living

Customer Engagement

We educate prospective buyers about the benefits of the energy-efficiency, water-saving and indoor-air-quality-improving features included in Meritage homes. In addition to our Learning Centers, we provide new homeowners with a Homeowners’ Manual and HERS score — calculated through an independent, third-party audit required to meet ENERGY STAR — specific to their homes. In each model home, we also display a plaque with that particular home’s HERS score and energy-efficiency statistics. These tools are designed to educate consumers on the sustainable benefits available in advanced homes and enable them to make more informed decisions.



The Learning Center

We have Learning Centers in most of our Meritage communities to educate prospective homeowners about the benefits of sustainable living. In the Learning Center, we educate our customers about the benefits and value of an energy-efficient home through informational, interactive displays about sustainable home features. Many of the displays compare good,

better and best homebuilding practices to assist consumers by making them aware of improved options in construction techniques. For instance, consumers see how spray-foam insulation is more effective than its cellulous and fiberglass counterparts, feel the temperature difference in low-E2 glass and see CFL lighting in action. To show how the energy-efficiency, water-

saving and indoor-air-quality-improving products work together, we explain how a cumulative HERS score is calculated and translates into cost savings in operating a Meritage home. We also explain that our sustainable building promises are backed by the EPA through triple-certification with ENERGY STAR, WaterSense and Indoor airPLUS.





## Sustainable Living

### Marketing Communications

To ensure our marketing communications adhere to all applicable laws and regulations, our legal department reviews all marketing communications prior to publication. Because ENERGY STAR certification, including HERS scores, requires a third-party auditor to validate compliance, such information published in our marketing collateral comes directly from independent third-party sources, including the U.S. DOE and U.S. EPA. In 2012, we continued to comply with all applicable laws and regulations associated with our marketing communications.

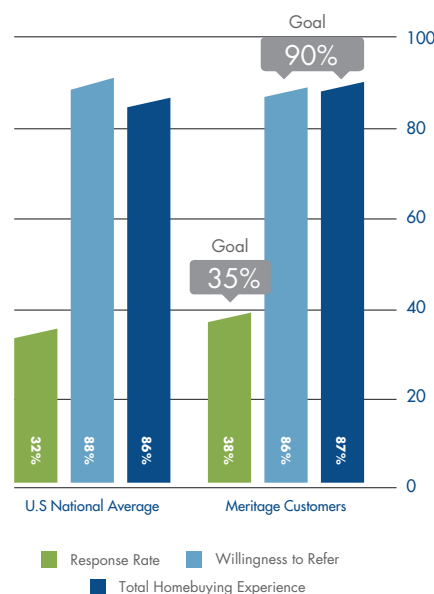
### Customer Satisfaction

To continuously monitor and improve customer satisfaction, we hire Avid Ratings Co. to independently survey every new Meritage homeowner 35 days after closing. Avid emails homeowners with a link to an online customer satisfaction survey with both industry standard questions and those customized for Meritage, then collects survey results. Homeowners answer more than 100 questions about their homebuying experience, including open-ended questions about what they liked and how service could be improved. Meritage has real-time access to completed survey results and can drill down results by a number of metrics including community location and product selection. We regularly review customer satisfaction survey results informally and formally, through an annual Avid-led live webinar discussing survey result trends from the past year, monthly conference calls among the Meritage customer service team and representatives from departments companywide and individual department meetings as needed.

As a result of customer feedback in these surveys, we regularly make enhancements to improve our customer experience.

- In 2012, we started including our title, mortgage and design companies on our regular customer satisfaction survey results review calls, so they could be aware of customer feedback and respond accordingly.

### 2012 Customer Satisfaction Survey Results



- From our 2012 customer surveys, we established a second level of quality assurance prior to home closing. In addition to a building superintendent ensuring consistency with the purchase order, we assign another Meritage employee to conduct a detailed review of the cleanliness and cosmetic aspects of the home prior to closing.
- To reinforce and encourage a high standard of customer service, we now implement a quarterly national recognition program for our construction and customer service representatives who receive positive mentions in customer satisfaction surveys.
- We also listen to customer complaints and respond directly to homeowners when it's possible for us to resolve an issue and pass along constructive criticism to our partners, even changing vendors when needed to improve the customer experience.

## Advocating Sustainability

At Meritage, we champion sustainability legislation such as the SAVE Act through trade organizations, and we support advancing building codes for greater energy efficiency in home construction. The national trade organizations through which we advocate sustainability include:

- [Green Chamber of Commerce](#)
- [IBACOS](#), a global leader in housing innovation and strategy
- [Leading Builders of America](#) (LBA)
- [National Association of Home Builders](#) (NAHB)
- [Residential Energy Services Network](#) (RESNET)
- [The Energy & Environmental Building Alliance](#) (EEBA)
- [U.S. Department of Energy](#)
- [U.S. EPA — ENERGY STAR](#), [WaterSense](#) and [Indoor airPLUS](#)
- [U.S. Green Building Council](#)
- [Best Practices Research Alliance](#)

We have been involved in the LBA Energy Committee since it began. Our chairman and chief executive officer serves as the committee's chairman, and our vice president of environmental affairs participates as a working member of the committee. Our vice president of environmental affairs also serves as president of EEBA's board of directors and the Green Chamber of Commerce's board of directors. We are also involved in a variety of local civic and trade organizations, and advocate sustainability through these, as well as through regional and local utility providers, and state and local municipalities' housing departments.

### What is the SAVE Act?

This legislation would recognize the operating cost savings from energy-efficient features of a home in mortgage underwriting, more accurately capturing the value and affordability of energy-efficient homes. Learn more about the SAVE Act at [www.imt.org/finance-and-leasing/save-act](http://www.imt.org/finance-and-leasing/save-act).

### Builder CEO of the Year Award: Steven Hilton, Chairman and Chief Executive Officer, Meritage Homes

"Under Steve's leadership, Meritage took a winner-takes-all approach to its plan to pioneer and scale affordable, sustainable homebuilding... The Meritage Green strategy combines the use of the latest energy-efficiency materials technologies, a well-leveraged strategic sourcing program, a lean and efficient home construction process, an energetic and focused marketing initiative, and improved local permitting and approval cycle times due to the 'green' nature of these new communities... Steve has managed to change both Meritage's culture and its business opportunity, not merely with a price position, but with a true value strategy."

Denise Dersin  
Editor-in-Chief, *Builder* magazine

### Energy-Efficient Homes Reduce Mortgage Risks

"Controlling for various factors, the authors find that mortgage default risks are on average 32% lower in ENERGY STAR homes. Among efficient homes, the more efficient the house, the lower the default risk... This study suggests a win for all parties involved. By fixing the blind spot to energy in federal mortgage underwriting standards, we could help borrowers to finance energy-efficient homes and save on their energy bills, create jobs for builders and remodelers, cut pollution and reduce credit risks to lenders and taxpayers."

Cliff Majersik  
Executive Director, Institute for Market Transformation



For more information about this study on home energy efficiency and mortgage risks, visit [www.imt.org/resources/detail/home-energy-efficiency-and-mortgage-risks](http://www.imt.org/resources/detail/home-energy-efficiency-and-mortgage-risks).

## Advocating Sustainability

### Community Outreach

As a responsible corporate citizen, we share our success by helping our communities live better. We educate others about energy efficiency and sustainable building, and give back to those in need within the areas where we operate.

### Sustainable Building Education

In addition to educating homebuyers at our Learning Centers nationwide, we frequently provide Learning Center tours to high school and college students, as well as utilities, media outlets and organizations such as the Sierra Club, so they too can understand more about energy efficiency and other sustainable building practices. We educate our industry through national and regional conference speaking engagements and by instructing REALTORS in continuing education courses. We also discuss sustainable building on our blog, [Residential Revolution](http://ResidentialRevolution.com), through social media channels and our website, [www.meritagehomes.com](http://www.meritagehomes.com).

### Social Media

Meritage uses social media platforms such as Facebook, YouTube, Pinterest, Twitter and others to engage and educate the public on sustainable homes and building practices, generally by driving traffic to our website, [www.meritagehomes.com](http://www.meritagehomes.com). We monitor and measure our success on multiple levels such as:

- We reach an average of 25,000 people weekly on our social networks.

- We reached more than 398,000 people in our sustainability-focused Facebook sweepstakes: "Educating Consumers on the HERS Score" during December 2012.
- Our Facebook page, displaying the "Our Features" tab, explores the sustainability features of Meritage's homes and demonstrates how each benefits homeowners.
- Our "What's the Latest?" tab on Facebook provides brief updates to consumers who want to quickly learn more about us. Sustainability topics have included our Learning Center, triple-certified homes and our pilot program using insulated concrete panels.

### Charitable Giving

In the fourth quarter of 2012, we worked together to make a difference in our communities and employees' lives during the holiday season through a companywide charitable giving program, Outpour. Our employees donated nearly \$26,800 in addition to toys, clothing, personal care items, canned food, dry goods and gifts as well as their time, to charitable organizations including:

- Angel Tree
- Back to Nature Wildlife Refuge
- Children's Home Society of Florida
- Community Food Bank of Southern Arizona
- Crisis Assistance Ministry
- De Colores
- Denver Rescue Mission
- Desert Mission Food Bank
- The Durham Rescue Mission
- Family Giving Tree
- Family Services Association of San Antonio
- Hope's Door
- Las Vegas Rescue Mission
- Make-A-Wish Foundation
- Northwest Fire District of Tucson
- Ronald McDonald House Charities
- Salvation Army
- Settlement House
- Shepherds' Gate
- Sunshine Acres Children's Home
- Travis Fisher House
- Trinity Café





# Global Reporting Initiative Index

Profile Disclosures		
1. Strategy and Analysis		
Profile Disclosure	Disclosure	Location of Disclosure
1.1	Statement from the most senior decision-maker of the organization.	Message from Meritage Homes Chairman and Chief Executive Officer
2. Organizational Profile		
Profile Disclosure	Disclosure	Location of Disclosure
2.1	Name of the organization.	Front Cover
2.2	Primary brands, products and/or services.	About Meritage Homes, <a href="#">2012 U.S. Securities and Exchange Commission Form 10-K</a>
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures.	About Meritage Homes, <a href="#">2012 U.S. Securities and Exchange Commission Form 10-K</a>
2.4	Location of organization's headquarters.	About Meritage Homes, Back Cover
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	About Meritage Homes
2.6	Nature of ownership and legal form.	About Meritage Homes, <a href="#">2013 Proxy Statement</a>
2.7	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries).	About Meritage Homes
2.8	Scale of the reporting organization.	About Meritage Homes, <a href="#">2012 U.S. Securities and Exchange Commission Form 10-K</a>
2.9	Significant changes during the reporting period regarding size, structure or ownership.	About This Report
2.10	Awards received in the reporting period.	Sustainable Living, <a href="http://www.meritagehomes.com/whybuy/our-achievements.shtml">www.meritagehomes.com/whybuy/our-achievements.shtml</a>
3. Report Parameters		
Profile Disclosure	Disclosure	Location of Disclosure
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	About This Report
3.2	Date of most recent previous report (if any).	About This Report
3.3	Reporting cycle (annual, biennial, etc.)	About This Report
3.4	Contact point for questions regarding the report or its contents.	Back Cover
3.5	Process for defining report content.	About This Report
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	About This Report, About Meritage Homes, <a href="#">2012 U.S. Securities and Exchange Commission Form 10-K</a>
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	About This Report
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organizations.	About This Report
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g. mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	NA
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	NA
3.12	Table identifying the location of the Standard Disclosures in the report.	Global Reporting Initiative Index
4. Governance, Commitments, and Engagement		
Profile Disclosure	Disclosure	Location of Disclosure
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	About Meritage Homes, <a href="#">2013 Proxy Statement</a>
4.2	Indicate whether the chair of the highest governance body is also an executive officer.	About Meritage Homes, <a href="#">2013 Proxy Statement</a>
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	About Meritage Homes, <a href="http://investors.meritagehomes.com/od.aspx?id=4019729">http://investors.meritagehomes.com/od.aspx?id=4019729</a>
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	About Meritage Homes, <a href="#">2013 Proxy Statement</a>
4.14	List of stakeholder groups engaged by the organization.	Addressed throughout
4.15	Basis for identification and selection of stakeholders with whom to engage.	Addressed throughout
Performance Indicators		
Economic		
Indicator	Disclosure	Location of Disclosure
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments.	About Meritage Homes, <a href="#">2012 U.S. Securities and Exchange Commission Form 10-K</a>
Environmental		
Indicator	Disclosure	Location of Disclosure
EN6	Initiatives to provide energy-efficient or renewable energy based products and services and reductions in energy requirements as a result of these initiatives.	Sustainable Living
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Sustainable Living
EN26	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation.	Sustainable Living
Social: Labor Practices and Decent Work		
Indicator	Disclosure	Location of Disclosure
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	About Meritage Homes
LA10	Average hours of training per year per employee by gender and by employee category.	About Meritage Homes
Social: Society		
Indicator	Disclosure	Location of Disclosure
SO1	Percentage of operations with implemented local community engagement, impact assessments and development programs.	Advocating Sustainability
SO5	Public policy positions and participation in public policy development and lobbying.	Advocating Sustainability
Social: Product Responsibility		
Indicator	Disclosure	Location of Disclosure
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures.	Sustainable Living
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	Sustainable Living
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Sustainable Living
PR6	Programs for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	Sustainable Living
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes.	Sustainable Living





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