



**GRANITE CONSTRUCTION INCORPORATED  
BOARD OF DIRECTORS CORPORATE GOVERNANCE  
GUIDELINES AND POLICIES**

Approved by the Board of Directors on  
March 20, 2003

(Revised May 20, 2011 and August 9, 2012 and December 18, 2013)

**I. Responsibilities of the Board of Directors**

The Board of Directors, which is elected by the shareholders, is the ultimate decision-making body of the Company, except with respect to matters reserved to the shareholders. The Board of Directors selects the Chief Executive Officer and certain other members of the executive management of the Company, who are charged with directing the Company's business. The primary function of the Board of Directors is therefore oversight - defining and enforcing standards of accountability that enable executive management to execute their responsibilities fully and in the interests of shareholders. Consistent with that function, the following are the primary responsibilities of the Board:

- ◆ Evaluating the performance of the Company and its executive management, which includes (i) overseeing the conduct of the Company's business to evaluate whether it is being effectively managed, including through regular meetings of the outside Directors without the presence of management; and (ii) selecting, regularly evaluating and planning for the succession of the Chief Executive Officer and such other members of executive management as the Board deems appropriate, including fixing the compensation of such individuals;
- ◆ Reviewing the Company's strategic plans and objectives, including the principal risk exposures of the Company;
- ◆ Providing advice and counsel to the Chief Executive Officer and other executive management of the Company;
- ◆ Assisting management in the oversight of compliance by the Company with applicable laws and regulations, including in connection with the public reporting obligations of the Company;
- ◆ Overseeing management with a goal of ensuring that the assets of the Company are safeguarded through the maintenance of appropriate accounting, financial and other controls;
- ◆ Appointing the members of and overseeing any required or appropriate Committees of the Board established for purposes of the execution of any delegated responsibilities of the Board of Directors;

- ◆ Establishing the form and amount of compensation for Directors, taking into account their responsibilities as such and as members of any Committee of the Board; and
- ◆ Evaluating the overall effectiveness of the Board of Directors, as well as selecting and recommending to shareholders for election an appropriate slate of candidates for the Board of Directors.

Directors are expected to attend the annual meeting, all board meetings, and all committee meetings on which they serve, barring irreconcilable conflicts.

In discharging their responsibilities, Directors must exercise their business judgment to act in a manner that they believe in good faith is in the best interests of the Company and its shareholders. Directors are expected to spend the necessary time to discharge their responsibilities appropriately and to ensure that other existing or future commitments do not materially interfere with their responsibilities as members of the Board.

Directors shall be entitled to require that the Company purchase reasonable liability insurance on their behalf and to accord them the benefits of indemnification and exculpation to the fullest extent permitted by applicable law and the Company's Certificate of Incorporation and Bylaws.

## II. Structure and Operation of the Board of Directors

### A. *Size and Composition*

The Company's Board policies provide that the Board of Directors shall consist of not less than five (5) or more than twelve (12) members, as established by resolution of the Board of Directors. On an annual basis, the Nominating and Corporate Governance Committee shall consider the size and composition of the Board and report to the full Board the results of its review and any recommendations for change.

There shall always be at least a majority of Directors that meet the independence requirements of the listing standards of the New York Stock Exchange.

The Board of Directors is responsible for selecting candidates for Board membership and for extending invitations to join the Board of Directors through the Nominating and Corporate Governance Committee. Candidates are selected for their character, judgment, business experience and specific areas of expertise, among other relevant considerations, such as the requirements of applicable law and listing standards. The Board of Directors recognizes the importance of soliciting new candidates for membership on the Board of Directors and that the needs of the Board of Directors, in terms of the relative experience and other qualifications of candidates, may change over time. Any Director is free to recommend a candidate for nomination to the Board of Directors. Consistent with its charter, the Nominating and Corporate Governance Committee is responsible for screening candidates (in consultation with the Chairman of the Board and the Chief Executive Officer), for establishing criteria for nominees and for recommending to the Board a slate of nominees for election to the Board of Directors at the annual meeting of shareholders. Final approval of any candidate shall be determined by the full Board of Directors.

Effective directors of public companies often serve on the boards of two or more companies and/or non-profit organizations. In its consideration of the qualifications of each new nominee for the Board of Directors, the Nominating and Corporate Governance Committee will consider the benefits and demands of that nominee's existing board affiliations.

To assure continuous Board development, no Director will stand for re-nomination and no proposed candidate will be nominated if the nominee's 72<sup>nd</sup> birthday occurs prior to the annual meeting of shareholders in the year of re-nomination or nomination. Moreover, Directors will retire no later than the first annual meeting of shareholders immediately following their 72<sup>nd</sup> birthday. The mandatory retirement age shall be age 72. In addition, it is the sense of the Board of Directors that any Director whose principal occupation or business association has changed substantially from the time he or she was elected to the Board of Directors should volunteer to resign from the Board. While it is not the sense of the Board of Directors that such Director should in all cases resign, the Board believes that it would be desirable in such circumstances to consider, through the Nominating and Corporate Governance Committee, the appropriateness of such Director's continued service.

Consistent with its charter, the Nominating and Corporate Governance Committee shall recommend to the Board and oversee a process of regular evaluation of the performance of the Board of Directors as a whole. In developing its evaluation criteria, the Nominating and Corporate Governance Committee may choose to benchmark the practices of other boards of directors; circulate surveys, questionnaires and evaluation forms to Directors; and use such other methods as it may deem helpful and appropriate in order to assess the effectiveness of the Board's existing composition and structure. At the conclusion of this process, the Chairman of the Nominating and Corporate Governance Committee shall report the Committee's conclusions to the Board of Directors and may make recommendations to the Chairman of the Board regarding changes that the Committee deems appropriate for consideration by the full Board of Directors.

## **B. *Uncontested Director Elections***

The Company's Bylaws provide that in elections of Directors where the number of nominees is equal to the number of Directors to be elected ("Uncontested Election"), then Directors are elected by receiving a majority of the votes cast.

Promptly after receiving written notice from the Company's secretary that the nominee Director has not received the requisite majority vote in an Uncontested Election, the nominee Director shall tender his or her resignation to the Board of Directors. After said tender of resignation, the Nominating and Corporate Governance Committee (excluding the Director who tendered the resignation) shall make a recommendation to the Board on whether to accept or reject the resignation, or whether other action should be taken. The Board (excluding the Director who tendered the resignation) shall evaluate such recommendation in light of the best interests of the Company and its shareholders and shall decide whether to accept or reject the resignation, or whether other action should be taken. In reaching its decision, the Board may consider any factors it deems relevant, including but not limited to the resigning Director's qualifications, past and anticipated future contributions to the Company as well as the overall

composition of the Board of Directors and whether accepting the tendered resignation would cause the Company to fail to meet any rule or regulation (inclusive of listing standards and federal securities laws). The Board shall act on the tendered resignation and publicly disclose its decision and the rationale behind it within 90 days after the inspector's certification of the election results. If the Board elects to reject the resignation, the then incumbent Director will continue to serve until the next annual meeting of shareholders at which time his or her term shall expire.

Other than in the event of an Uncontested Election where none of the nominee Directors receive the requisite majority vote, any vacancies in the Board of Directors resulting from a Director not receiving a majority vote and the Board accepting his or her resignation shall be filled in accordance with the Bylaws.

The foregoing procedures will be summarized and disclosed in the proxy statement related to each annual meeting of shareholders.

### ***C. Offices of Chairman of the Board, Chief Executive Officer and Lead Director***

The offices of Chairman of the Board and Chief Executive Officer have been at times combined and at times separated. The Board has exercised discretion in combining or separating the positions as it has deemed appropriate in light of prevailing circumstances. The Board of Directors believes that the combination or separation of these offices should continue to be considered as part of the succession planning process. The Board further believes that it is in the best interests of the Company for the Board to make a determination as to the combination or separation of the offices of Chairman of the Board and Chief Executive Officer when it elects a new Chief Executive Officer.

The person holding the office of Chief Executive Officer shall retire from the Board of Directors at the same time that his or her service in such capacity ends, unless that person also holds or is then elected to the office of Chairman of the Board, in which event that person shall retire from the Board at the time that his or her service as Chairman ends unless asked by the Board to continue his or her service.

In the event the Chairman of the Board does not meet the independence requirements of the listing standards of the New York Stock Exchange, the Directors shall elect a Lead Director. The Lead Director (if any) shall preside over executive sessions of the Board and over all meetings at which the Chairman of the Board is not present. In addition, the Lead Director (if any) shall serve as a liaison between the Chairman and the Board and shall discuss and approve the structure and content of the Board agenda. In accordance with the recommendation of the Nominating and Corporate Governance Committee, the position of Lead Director (if any) shall rotate on a biennial basis among the various independent Board members. If, during the Lead Director's term, an independent Chairman is elected by the Board, the Lead Director's term shall immediately terminate, and the duties of the Lead Director shall then be assumed by the Chairman.

The Nominating and Corporate Governance Committee shall report periodically to the Board of Directors regarding succession planning with respect to the office of the Chief Executive Officer and other members of executive management as may be determined by the Board of Directors.

## D. *Board Meetings*

### Frequency and Conduct of Meetings

The Board of Directors shall meet regularly during the year. Additional meetings may be scheduled as necessary or appropriate in light of circumstances. The Chairman of the Board shall, in consultation with the Chief Executive Officer, the Lead Director, the General Counsel, and the Chairs of the Board's standing committees, prepare an annual schedule of meetings for the Board of Directors. To the extent practicable, the schedule shall reflect agenda subjects that are generally of a recurring nature and are expected to be discussed during the year in question. Certain matters shall be addressed by the Board of Directors at least annually. These matters shall include a review of the Company's (i) strategic plan and the principal current and future risk exposures of the Company; (ii) strategic objectives; (iii) business and financial performance for the prior year, including a review of the achievement of strategic objectives; and (iv) the Company's compliance with applicable law and listing standards including a review of the operation and effectiveness of the Company's Corporate Compliance Program and the Corporate Compliance Officer. The proposed annual schedule of meetings of the Board and its standing Committees shall be presented to the Board of Directors for approval.

The Chairman of the Board shall chair all meetings of the Board of Directors. The Lead Director, or if there be none, the Chief Executive Officer, shall chair all meetings of the Board at which the Chairman is not present. The Secretary, the Chief Financial Officer and the General Counsel shall also attend all meetings of the Board, subject to the Board's discretion to excuse one or more of these officers from all or portions of any meeting.

Outside Directors shall meet in executive session with the Chief Executive Officer at least once each year to discuss matters relating to management succession (including the Chief Executive Officer's recommendation as to a successor should he or she be unexpectedly disabled) and management development and to evaluate members of executive management. In addition, outside Directors shall meet in executive session chaired by the Lead Director (or, if there is no Lead Director, by the Chairman) and without the Chief Executive Officer at each regularly scheduled meeting of the Board of Directors. If the Chairman of the Board does not meet the independence requirements of the listing standards of the New York Stock Exchange, at least a portion of each executive session shall be without the Chairman. At one of these sessions, the agenda for the meeting shall include an evaluation of the performance of the Chief Executive Officer and the approval of his or her compensation (which evaluation shall be communicated to the Chief Executive Officer by the Chairman of the Compensation Committee). Upon reasonable notice to the other outside Directors, any outside Director may call for an executive session, with or without the presence of the Chairman, if the Chairman is also the Chief Executive Officer, or any member of executive management, if he or she deems it necessary or appropriate. The Lead Director (or, if there is no Lead Director, by the Chairman), in consultation with the Nominating and Corporate Governance Committee will assure that the Board's executive sessions are held in accordance with this provision.

### Agenda

The Chairman of the Board and the Chief Executive Officer (if not the same as the Chairman) shall

establish an agenda for each meeting of the Board of Directors, which shall be approved by the Lead Director (if any) and which may include matters additional to those contemplated by the annual schedule of meetings of the Board of Directors. Directors may suggest the addition of any matter to a meeting agenda. Each Director may also raise at any meeting or executive session any subject that is not on the agenda for that meeting or executive session.

It is the sense of the Board of Directors that it is beneficial to have at least one (1) meeting at one of the Company's operations locations and meetings may be so held from time to time.

#### Information to Be Distributed Prior to Meetings

Insofar as practicable, information to inform the Directors about the Company's business, performance and prospects and regarding recommendations for action by the Board shall be made available to the Board a reasonable period of time before meetings. Information should be relevant, concise and timely. Requests for action by the Board of Directors should include the recommendation of management and be accompanied by any historical or analytical data that may be necessary or useful to the Directors in making a determination as to the advisability of the matter.

#### Presentations

Materials regarding presentations on specific subjects shall generally be sent to the Board members in advance so that the Board's meeting time may be conserved and discussion time focused on questions that Directors may have. Where time or circumstances prohibit advance delivery of materials, the Chairman of the Board or his designee shall provide advance notice of the subject matter and the principal issues involved through an oral communication in advance of the meeting, followed by a complete presentation and discussion of the matter at the meeting.

#### Minutes

The Secretary of the Company shall record minutes of all meetings of the Board of Directors and shareholders. In the absence or incapacity of the Secretary, the Chairman may designate an Assistant Secretary, a Director, the General Counsel or outside counsel for the Company to record the minutes of meetings of the Board of Directors or shareholders.

With respect to any matter, a Director voting against a proposal may ask to have his or her dissent recorded in the minutes of the meeting, and the Secretary shall do so.

#### **E. *Access to Management, Management Information and Counsel***

Directors shall have free access to management and management information. Management shall be responsive to requests for information from Board members. The Board encourages the Chairman of the Board to invite members of management to make presentations at Board meetings in order to provide particular insights into aspects of the Company's business or to provide individuals with exposure to the Board of Directors for purposes of management development. Directors may suggest possible guests to

the Chairman.

The Board of Directors and the Committees thereof shall be entitled, at the expense of the Company, to engage such independent legal, financial or other advisors as they deem appropriate, without consulting or obtaining the approval of any officer of the Company, with respect to any matters subject to their respective authority.

**F. *Board Interaction with Institutional Investors, the Press and other Constituencies***

The Board believes that management speaks for the Company. Directors may, from time to time, be contacted by institutional investors, other shareholders, sellers of businesses or potential merger partners, governmental or community officials, analysts or the press to comment on or discuss the business of the Company. Directors are expected to refrain from communicating with any of the foregoing without prior consultation with the Chief Executive Officer or the Chief Financial Officer. Any proposed contact by a Director in response to any inquiry by any governmental official shall also be notified in advance to the General Counsel of the Company.

Directors may also, from time to time, discuss the Company's business with customers, suppliers and other business partners of the Company. Directors should exercise discretion with respect to any such discussions and should advise appropriate members of executive management of such discussions when they occur.

Except in his or her capacity as a member of the management of the Company (if applicable), no Director shall disclose any material non-public information concerning the Company without the prior authorization of the Board. Among other considerations, such disclosures may violate applicable law. Questions about such information should be directed to the General Counsel. In the event that a Director inadvertently discloses information that may be material and non-public, he or she should immediately so advise the General Counsel.

**G. *Committees of the Board***

Committee Structure

There are currently five (5) standing Committees of the Board of Directors: Audit/Compliance, Compensation, Nominating and Corporate Governance, Executive and Strategic Planning Committees. From time to time, the Board may designate *ad hoc* Committees in conformity with the Company's Bylaws. Each standing Committee shall have the authority and responsibilities delineated in the Company's Bylaws, the resolutions creating them and any applicable charter. The Board of Directors shall have the authority to disband any *ad hoc* or standing Committee when it deems it appropriate to do so, provided that the Company shall at all times have Audit/Compliance, Compensation and Nominating and Corporate Governance Committees and such other Committees as may be required by applicable law or listing standards.

Committees and their Chairpersons shall be appointed by the Board of Directors annually at the Annual Meeting of the Board of Directors, on recommendation of the Nominating and Corporate Governance Committee in consultation with the Chairman of the Board. It is the Board's policy that, with the exception of the Executive and Strategic Planning Committees, only outside Directors shall serve on the standing Committees. The members of the Audit/Compliance, Compensation and Nominating and Corporate Governance Committees shall also at all times meet the independence and other requirements of applicable law and listing requirements. In appointing Committee members, the Board shall consider rotating membership from time to time in accordance with any policies established or recommended in that regard by the Nominating and Corporate Governance Committee.

Each standing Committee, with the exception of the Executive Committee, shall have a written charter, which shall be approved by the full Board of Directors and state the purpose of such Committee. Committee charters shall be reviewed not less frequently than annually to reflect the activities of each of the respective Committees, changes in applicable law or regulation and other relevant considerations, and proposed revisions to such charters shall be approved by the full Board of Directors.

#### Committee Meetings

The Chairpersons of the various Committees, in consultation with their Committee members, shall determine the frequency and length of Committee meetings. The Chairperson of each Committee, in consultation with appropriate Company officers, will establish the agenda for each Committee meeting. Committee members and other Directors may suggest the addition of any matter to the agenda for any Committee meeting upon reasonable notice to the Committee Chairperson.

To the extent practicable, information regarding matters to be considered at Committee meetings shall be distributed to Committee members a reasonable period of time before such meetings. Each Committee Chairperson shall designate an individual of his or her choice to act as Secretary at, and to record the minutes of, Committee meetings. The Chairperson of each Committee shall report on the activities of the Committee to the Board of Directors following Committee meetings, and minutes of Committee meetings shall be distributed to all Directors for their information.

#### **H. *Compensation of the Board of Directors***

The Compensation Committee is charged with the responsibility of reviewing the compensation of the Board of Directors and recommending changes thereto to the full Board of Directors from time to time. In this regard, the Committee may request that management report to the Committee periodically on the status of the Board's compensation in relation to other similarly situated companies. Directors who are Company employees shall not be compensated for their services as Directors.

The form and amount of Director compensation and perquisites shall be determined by the Compensation Committee in accordance with the principles contained in its charter or any related policies, and such Committee shall review the form and amount of such compensation periodically as provided in its charter. The Board of Directors continues to believe that an alignment of Director interests with those of shareholders is important. The Compensation Committee is responsible for ensuring that Directors' fees

and perquisites do not exceed appropriate levels for companies of comparable scope and size. The Board has charged the Compensation Committee with recommending appropriate guidelines as to stock ownership by Directors.

**I. *Director Orientation and Education***

New Directors shall participate in an orientation program, which shall generally be conducted within two months of the date on which new Directors take office. The agenda for the orientation program shall be determined by the Chairman of the Board, in consultation with the Chief Executive Officer, the Chief Financial Officer, the Lead Director and the General Counsel, who may consult as appropriate with the Chairpersons of the standing Committees of the Board of Directors. The orientation program shall address the Company's strategic plans, significant risk exposures, compliance programs (including its Code of Business Conduct and Ethics) and may include presentations by the Company's executive management, internal auditors and independent auditors, as well as one or more visits to the Company's headquarters or other operating sites or facilities. All other Directors shall also be invited to attend each orientation program. The Board of Directors shall encourage Directors to participate in continuing education programs at their own expense.

**III. *Revisions to these Governance Guidelines***

Each year, the Nominating and Corporate Governance Committee shall reevaluate these Governance Guidelines and recommend to the Board of Directors such revisions as it deems necessary or appropriate for the Board to discharge its responsibilities more effectively.