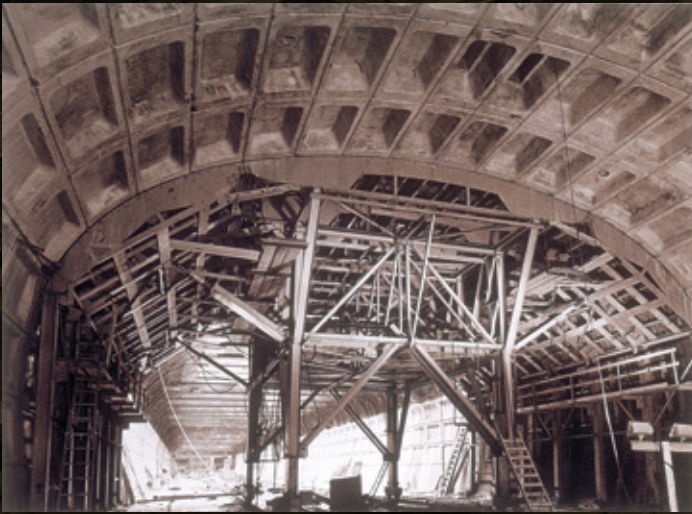




2014 Sustainability Update



Our purpose is to improve the quality of life in the areas in which we work by designing and building infrastructure that is vital to the flow of commerce, supply of energy, and movement of goods and people.



Before and After
Stadium-Armory Transit Station
Washington, DC



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Message from the CEO

I am pleased to present Granite's 2014 Sustainability Update. It outlines our sustainability initiatives and goals for 2015–2016 and documents our 2012–2013 performance.

At Granite sustainability is a journey and one in which we are making excellent progress as we create value and strive to operate ever more sustainably across all areas of our Company.

We have made great strides since our previous report and have updated key initiatives to align with the objectives of our evolving business. From green construction materials such as warm-mix asphalt (WMA) and recycled shingles, to innovative methods and concepts for building faster and more safely, to just finding better ways to get the job done, we are constantly integrating more-sustainable practices throughout our business. The road to sustainability is always under construction and must constantly be maintained, and we are proud of our efforts to date.

Our acquisition of Kenny Construction at the end of 2012 was in line with our strategic plan to grow through diversification. We are pleased to see the benefits of market and geographic diversification through the Kenny portfolio, especially in the power delivery and water and wastewater infrastructure markets, and we continue to target growth opportunities that will both expand our portfolio and strengthen our existing footprint.

A critical element of our strategic plan to **optimize our business portfolio** is also well under way, with the creation of the Center of Excellence, a lean-based effort focused on reducing waste, standardizing processes, and reducing variability—all in an effort to optimize efficiencies while lowering costs and improving quality. Our ultimate goal is for continuous improvement to become standard practice for our people and for process improvement to touch all parts of our business, further empowering our people to make an impact in their own communities every day. This is the central element of our efforts. It's more than just doing the right thing. It's about looking after our employees, protecting the environment, and engaging with our communities—all of which enables us to work safely and effectively and provides us our license to operate. Our employees are the foundation of our Seven Pillars of Sustainability, which are *Safety and Health, Compliance and Ethics, Community, Employees, Environment, Sustainable Infrastructure, and Quality*.

Our 2014 sustainability strategy gives us confidence to look to the future with optimism. And as we stretch to be increasingly sustainable with the environment, with our employees, and in our supply chain, we know that there are formidable challenges ahead. We also know that the passion and the dedication of our business teams, and the belief that sustainability creates value for all—our business, our investors, and our communities—will carry us forward today and for generations to come.



A handwritten signature in black ink that reads "James H. Roberts".

James H. Roberts
President and Chief Executive Officer
Granite Construction, Inc.



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GRANITE
30-506
328D L800

SmithCo
SIDE-DUMP TRAILER
800-779-P
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SIDE-DUMP TRAILERS
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GRANITE

GRANITE

About the Company

Headquartered in Watsonville, California, Granite Construction Incorporated (NYSE: GVA) is a full-service general contractor, construction management firm, and construction materials producer.

Recognized as one of the top 25 largest construction companies in the United States and the top five for domestic contractors, Granite specializes in complex civil infrastructure for transportation, power, federal, tunneling, underground, water resources, and industrial markets.

Incorporated in 1922, Granite became a publicly traded company in 1990. Granite is listed on the New York Stock Exchange and is part of the S&P MidCap 400 Index, the MSCI KLD 400 Social Index, and the Russell 2000 Index.

Operating Structure Granite's operating structure is divided into reportable business segments to reflect our lines of business: Large Project Construction, Construction, and Construction Materials. Each business segment lends itself to providing a unique opportunity for sustainable development.

In our **Large Project Construction** business, we design-build, engineer, manage, and construct some of the largest and most complex infrastructure projects, bridges, mass-transit facilities, intricate highway systems, and power generation projects nationwide. The projects we build are important to sustainability, as they typically remain in service for several generations and have some tangible social benefit.

In our vertically integrated (VI) **Construction** and **Construction Materials** businesses, we are committed to providing essential construction materials and services to the local economy. A cornerstone of our efforts is the use of "green" construction on our projects, integrating recycled materials in the construction materials that we produce internally. Equipped with strong relationships with local municipalities, subcontractors, suppliers, and associations, our local VI businesses are proud to support and give back to the communities in which they operate.

End-Market Segments Beyond the operating segments, Granite serves clients in a variety of markets nationwide through its offices, subsidiaries, and joint-venture partnerships.

■ "THE NEW NEW YORK BRIDGE": TAPPAN ZEE BRIDGE

In 2009 the Tappan Zee Bridge was featured on The History Channel's *The Crumbling of America* as a symbol of the ongoing infrastructure crisis in the United States. The design-build proposal was selected because of Granite's efficient solution to use a shallow superstructure and a 350-foot-long-span design to minimize the number of piers, provide a sleeker look that enhances the corridors in the Hudson Valley, and realize a substantially reduced environmental impact. The 3.1-mile-long Tappan Zee Bridge is a vital transportation link that serves approximately 138,000 vehicles per day.

This is the largest bridge project in the history of New York State and the largest design-build project under construction in the United States to date. Once complete, the new bridge will reduce traffic congestion, cut emissions and fuel consumption by motorists, and provide a safer route for commuters.

■ CORPORATE FACTS

- 3,500 projects completed annually
- 5,000 salaried/craft employees nationwide
- Operates regional/area/project offices and aggregate plant operations coast-to-coast in the continental United States, Alaska, Canada, and Guam
- Wholly owned subsidiaries include Granite Construction Company; Granite Construction Northeast, Inc.; Kenny Construction; Granite Federal; Intermountain Slurry Seal, Inc.; Granite Land Company; and Garco Testing Laboratories
- In the past decade, consistently ranked in the top 25 of *Engineering News-Record's* Top 400 Contractors list for Transportation, Mass Transit and Rail, Mining, Airport, Dams/Reservoirs, Bridges, and Water Supply



About This Report

We exist to improve the quality of life by maintaining and building infrastructure that facilitates the flow of commerce, supply of energy, and movement of goods and people. That is our purpose, and it is vital to sustainability.

At its very core, sustainability is about people—maintaining and improving quality of life while contributing to the success of generations to follow. It represents the intersection of economic prosperity and social responsibility and how those forces align to meet social and environmental challenges. It means providing great places for people to work and finding better ways of doing things—not just accepting the status quo. Undoubtedly, significant challenges lay ahead, but by recognizing what is at stake and engaging our employees, we can be part of the solution.

Most projects we build or provide construction materials for have a tangible and recognizable social benefit. Infrastructure is essential to maintaining the flow of commerce and energy supplies, the interconnection of people, and quality of life. Highways, transit systems, railroads, airports, water distribution systems, energy supplies, and seaports drive our economy and support our prosperity. They must be maintained and upgraded to improve their safety, capacity, and efficiency and to serve the current generation while preparing the next generation for economic growth—always with an eye on sustainability. That is at the heart of what we do.

Granite’s Seven Pillars of Sustainability We have divided sustainability into our Seven Pillars, each tied to the type of work we do:

- **Safety and Health**
- **Compliance and Ethics**
- **Community**
- **Employees**
- **Environment**
- **Sustainable Infrastructure**
- **Quality**



Our employees are the foundation of the Seven Pillars, as it is through their efforts that we are able to accomplish our goals. We have included quality because we believe that quality touches many aspects of our business and is inseparable from sustainability. We recently embarked on a continuous improvement journey that will help us improve and strengthen our business and, ultimately, help us build our work more efficiently. Everything we do that contributes to sustainability, no matter how small, counts in some way. *It all matters.*

We manage our sustainability efforts through our Sustainability Council, which consists of senior leaders in the company. Our external advisory panel has representation from academia, industry, and the nonprofit sector and helps bring a broader perspective to our efforts.

This is the third report that we have published since the inception of the Sustainability Council in 2010. Past sustainability reports are available online: http://graniteconstruction.com/Sustainability/Sustainability_Reporting

Results Reporting Structure

✓	Accomplished/completed
✗	Not accomplished
↻	Revised
→	We're on the right track
+	New for 2014



Safety and Health

2014 Safety Goals

1. The ultimate goal is zero accidents. As we strive toward that goal, we will work to reduce our Occupational Safety and Health Administration (OSHA) recordable incident rate annually through our Safety and Health Management System and safety culture.
2. The ultimate goal is zero regulatory infractions. As we strive toward that goal, we will work to reduce citations by 25 percent by 2016 to ensure compliance with applicable occupational and mine safety regulations.
3. By 2016 we will improve our Safety and Health Management System, conform to OHSAS 18001, and register our Large Project Group and Utah Region.

We will strive to eliminate incidents from the workplace.

We are committed to ensuring the safety of our employees and the public through training and development.

Each employee, from the craft worker to the project executive, has the personal responsibility to follow and enforce all elements of Granite's Safety and Health Management System. Our plan includes safety training, inspections, audits, and a formalized system of reporting.

Every person is entitled to a safe and healthful workplace. From the office to the jobsite and the travel in between, there are risks, oftentimes unforeseen. While we can take a proactive role in reducing risk, we are aware that certain elements of risk are unavoidable. We are committed to managing those risks through our Safety and Health Management System.

We watch out for one another and will continue to reinforce a company culture in which safety is valued.

■ NATIONAL SAFETY WEEK

During Safety Week 2014, Granite joined with 30 national and global construction firms to fight the same battle: to work more safely. Safety Week 2014 took place May 4 through 10 worldwide to highlight the importance of ongoing safety education, maintaining a safe work culture, and fulfilling our goal of sending employees home safely every day.

■ CHEVRON REFINERY SAFETY AUDIT, SALT LAKE CITY, UTAH

Chevron's safety team performs a detailed and thorough Health, Environment, and Safety audit on each contractor every three years. In 2013 Granite's Utah team received an A grade from this extensive safety audit—the *first* contractor at the Salt Lake City refinery to achieve this high mark.

■ CONSTRUCTION MATERIALS ACHIEVES RECORD-LOW OSHA INCIDENT RATE

Granite's Construction Materials team has an OSHA incident rate of only 0.6, far below the peer group average of 2.0. The team is also leading the industry peer group by reducing Mine Safety and Health Administration (MSHA) citations to a rate of 0.89 citation per inspection.

■ CENTINELA SOLAR ENERGY PROJECT, CALEXICO, CALIFORNIA

In 2013 Granite contracted with Fluor Constructors International to build a 175-megawatt solar photovoltaic power project on 1,600 acres of land, installing 879,000 solar panels. The Granite team worked more than 500,000 safe man-hours (381 workdays) without a single OSHA injury. Fluor awarded Granite the **highest internal safety rating (92 percent) of all its projects currently under construction** and proclaimed the project a "world-class" operation by Fluor standards.

AGC of America Safety Excellence
Highway & Transportation Division
over 1 Million Hours

**1st Place
2014**



Goal	Our Progress	Results
<p>While the ultimate goal is zero accidents, we will reduce our OSHA recordable incident rate annually through our Safety and Health Management System and safety culture.</p>	<p>Our OSHA recordable incident rate decreased to 2.0 in 2013 from 2.1 in 2012.</p>	
<p>One hundred percent employee participation in core safety systems: inspections and tailgate meetings, and maintaining processes to track participation.</p>	<p>In 2012 and 2013, we held more than 250,000 safety events (inspections, tailgate meetings, and Take 5 meetings) each year. Approximately 3,000 employees participated in the safety events. Each employee participated in an average of 86 safety events per year.</p>	
<p>Zero significant MSHA and OSHA citations annually on all of our aggregate/mining facilities nationwide, to ensure compliance with applicable occupational and mine safety regulations.</p>	<p>From 2010 to 2013, we reduced the overall percentage of citations by 74 percent, from 255 to 66. While this is a step in the right direction, we have yet to achieve zero MSHA/OSHA citations. The industry average is four citations per MSHA inspection. We have revised this goal for 2014.</p>	
<p>We will establish an internal inspection and auditing process to evaluate the safety of our plant and project sites.</p>	<p>We have established a policy requiring our frontline supervisors at every jobsite and aggregate plant facility to conduct a daily safety inspection. In conjunction, we have also implemented software that assists the employees in our Safety, Environmental, and Quality Departments in conducting project and facility inspections and audits. Using the software, employees are able to monitor inspection and audit results and to save time and conserve resources by completing audits and inspections on their portable devices or laptops and without using paper.</p>	



Compliance and Ethics

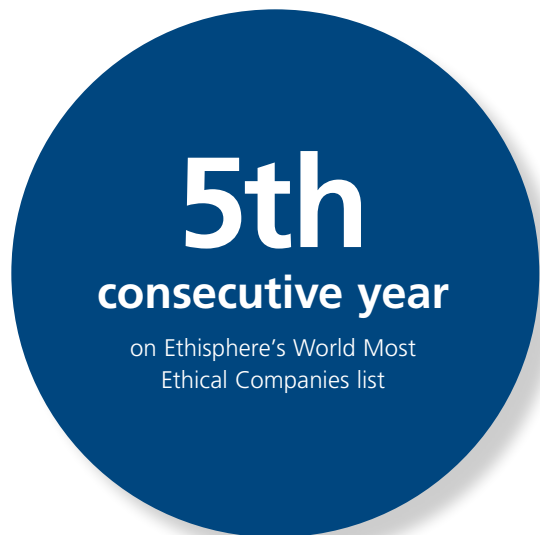
2014 Ethics Goals

1. We will retain Ethisphere's designation as one of the World's Most Ethical Companies.
2. By 2016 we will train more than 95 percent of our employees companywide. The training will continue to be a joint effort between the Compliance and Ethics team and the Organizational Development Department.
3. By 2016 we will adapt our Corporate Compliance and Ethics Program to conform to ISO 19600. This risk-based approach assists organizations by ensuring the right focus in their compliance management efforts. (ISO 19600 follows a risk-based approach to compliance management that is aligned with ISO 31000, the ISO standard for risk management.)

We hold ourselves to the highest ethical standards in business practices.

We deeply value our tradition and reputation for ethical and responsible conduct—it is part of who we are. Our tradition and reputation establishes an expected standard of behavior and defines how we deal with others. We have memorialized our expectations in our Core Values and Code of Conduct.

We further our efforts as we grow and diversify as a business through our Corporate Compliance and Ethics Program. Although ethics is engrained in Granite's culture, our program supports our employees in a dynamic business environment that often includes conflicting interests and myriad complex laws and regulations. Granite's dedication to ethical and responsible conduct helps us fulfill our obligations while maintaining the trust and confidence of our stakeholders.



■ CONSTRUCTION INDUSTRY ETHICS AND COMPLIANCE EVENTS

The Corporate Compliance and Ethics Program members actively participated in the Construction Superconference 2012, the Construction Industry Ethics and Compliance Initiative 2013 Fall Meeting, and Consero's 2013 Compliance and Ethics Forum.

■ CONSTRUCTION INDUSTRY ETHICS AND COMPLIANCE INITIATIVE

Granite is one of the founding members of the Construction Industry Ethics and Compliance Initiative. Granite has numerous active members serving on the steering committee, as well as on best-practice panels, and collaborates frequently with other member companies on compliance issues of concern to the industry.

■ GRANITE NAMED TO WORLD'S MOST ETHICAL COMPANIES LIST FOR FIFTH YEAR

Out of a record-breaking number of participants representing 100 countries and 36 industries, Granite has received the World's Most Ethical Company designation from the Ethisphere Institute for the fifth consecutive year. Granite earned a spot on the coveted list by setting the industry standard for our commitment to bettering the communities in which we work, promoting sustainable business practices, and setting the highest levels of ethical behavior in the workplace.



Goal	Our Progress	Results
By 2014 we will train 95 percent of management personnel in compliance training.	Ninety-seven percent of management personnel received compliance training.	✓
Retain the World's Most Ethical Company designation by the Ethisphere Institute for 2012 and 2013.	Granite was recognized for the fifth consecutive year as one of the world's most ethical companies—for 2012, 2013, and 2014.	✓
Update Granite's internal risk management matrix (to evaluate legal and compliance risks) by 2014.	We completed a legal and compliance risk assessment in 2013.	✓
Promote the use of an anonymous hotline that employees can call to report concerns, and increase this usage in 2012 and 2013.	The anonymous Granite Compliance Helpline is in place; we encourage employees to use it, and we monitor that usage. We also undertook efforts to increase reporting, including publishing a new Whistleblower Policy and encouraging employees to report via internal channels. Additionally, the Company invested in and now provides employees with the ability to report issues via a website that guarantees anonymity.	✓



Community

2014 Community Goals

1. We will support our communities by actively participating in local outreach activities.
2. We are committed to supporting community and national nonprofit associations consistent with the Company's charitable contributions strategy.
3. By 2016 we will organize a nationwide community service initiative involving all business units.

We are dedicated to improving the communities in which we live and work.

Granite's strong commitment to community involvement is embedded within the Company's Core Values: which include *safety, honesty, integrity, fairness, accountability, consideration of others, the pursuit of excellence, reliability, and citizenship*. Each Granite employee understands the importance of citizenship and strives to partner with the community to improve where we live, work, and play; collaborate with local government, community organizations, and nonprofits to foster positive growth and sustainable development; and leverage our professional resources to improve the communities in which we live and work.

Our nationwide offices are embedded in their local communities. Equipped with strong relationships with local municipalities, subcontractors, suppliers, and associations, our local business units are proud to support and give back to their communities.

\$413,000

in scholarships was awarded to students in the extended Granite family.

■ CHARACTER MATTERS SCHOLARSHIP FUND

Since 2002 Granite has provided scholarship awards from \$500 to \$2,000 to our employees' children and grandchildren to attend college. In 2013 Granite awarded a total of \$20,000. To date Granite has awarded a total of \$413,000 to 277 students in the extended Granite family.

■ GRANITE SPONSORS LOCAL SCHOOL TO INCREASE STUDENT PERFORMANCE, TAMPA, FLORIDA

Within the past five years, Granite's Southeast Region office has helped raise Mort Elementary School's state comprehensive assessment grade from an F to an A, by chaperoning field trips, sponsoring student engagement events, and donating supplies.

■ FOTOFEST ACCOLADES DURING HRT CONSTRUCTION, HOUSTON, TEXAS

FotoFest is a well-known nonprofit public arts and education organization that holds a six-week celebration of photography every two years throughout the city of Houston, with public attendance of 265,000 people. The Granite team supervised the installation of a crosswalk, warning signs, and additional parking spaces, accommodating event officials and demonstrating a professional and effective solution for balancing Houston Rapid Transit's (HRT) needs with those of the public. The event (and the project) were both a tremendous success.



■ DBE PRIME CONTRACTOR AWARD, ALASKA

On March 5, 2012, Granite's Alaska Region was recognized for an unprecedented third consecutive year as Disadvantaged Business Enterprises (DBE) Prime Contractor of the Year. This recognition is awarded by the Alaska Department of Transportation's Civil Rights Office, and the winner is selected by a group of DBE subcontractors.

■ TAPPAN ZEE BRIDGE DBE GOALS, NEW YORK

Tappan Zee Constructors, LLC (TZC) has set aside 10 percent of the total project budget as the DBE goal, which equates to about \$314 million in subcontract opportunities. DBEs are encouraged to attend TZC's monthly orientation meetings, where they can meet with DBE program and procurement team members.



Goal	Our Progress	Results
<p>By 2013 we will develop a communication protocol for handling community concerns by all nationwide VI business units and Large Project groups.</p>	<p>We have implemented a nationwide communication protocol for handling crisis situations and community concerns and have provided training to management personnel.</p>	
<p>We will engage with our communities through a variety of activities and community events by targeting community-based organizations and events that are supported by our employees.</p>	<p>Nationwide we have given back to the communities in which we live and work. All employees are encouraged to participate in their local office's Community Outreach Committee. While we are on the right track, we have revised this goal for 2014 to make it more measurable.</p>	 
<p>We will support community and national nonprofit associations consistent with our charitable contributions strategy.</p>	<p>Nationwide the local Community Outreach Committees meet monthly to evaluate donation requests and see if they fit within the guidelines of Granite's corporate giving policy. Guidelines include community-based programs that directly affect the community in which we live; foster youth health, activity, or basic needs; and family support programs. In 2012 and 2013, Granite contributed to more than 300 nonprofit organizations.</p>	
<p>We will publicly report to stakeholders every two years about our sustainability efforts.</p>	<p>In 2012 we published a sustainability report and are now updating our stakeholders through this 2014 Sustainability Update.</p>	 



Employees

2014 Employee Goals

1. We will improve the health and wellness of our employees and their families by actively maintaining a Wellness Incentive Program. The goal is to continuously improve our participation rate until 100 percent of our employees have completed a health assessment and biometric screen.
2. We will take a lead role in the industry and actively participate in initiatives that support women in construction.
3. We will be an employer of choice in our industry and will achieve high retention rates by maintaining lower-than-average industry turnover percentages.

We are committed to maintaining a positive environment that brings out the best in our employees.

Granite employs more than 5,000 people nationwide and is committed to developing, training, retaining, and guiding our employees through safe and ethical business practices.

As a new addition for 2014 and moving forward, we have underpinned our Seven Pillars with the addition of a dedicated section for our employees, who are the very foundation of building a sustainable business. The health, wellness, training, development, and retention of our employees are paramount to Granite's viability. Our employees possess a strong dedication and pride in the Company.

Although this section is new for the 2014 report, we have existing initiatives in place to support our employees' development and well-being. In 2012 we performed an internal audit of all positions throughout the Company, analyzing market data to support the salary and wage adjustments to keep a competitive hiring advantage. In addition, we have developed professional training and development strategies, which include leveraging team synergy, management training, succession planning, and annual personal performance management and development assessments.

To support our training and development efforts, we recently launched Granite University, an online training portal to offer employees a robust selection of courses to meet individual training needs. We currently offer more than 40 live courses and over 400 online courses for leadership, personal, job-specific, and safety training. Another key benefit of Granite University is the ability to capture and maintain current employee training data in one system.

■ MENTORING A GIRL IN CONSTRUCTION (MAGIC) CAMP, CAL POLY, SAN LUIS OBISPO, CALIFORNIA

For the past three years, Granite' Santa Barbara offices have partnered with the National Association of Women in Construction and the faculty at California Polytechnic State University for a weeklong camp to introduce high school girls to the construction industry. Granite led a bridge-building activity, where each team assembled a model of the Golden Gate Bridge, and taught students about different types, key terms, and basic engineering principles.

■ NATIONAL INTERNSHIP PROGRAM AND CAREER DAY

Granite offers a variety of school-based programs that foster and develop young engineers and field personnel into skilled members of the construction industry. Through internships, recruitment, and partnerships with local high schools and colleges, Granite helps youths develop specialized skills that give them a clear and direct career path into construction. In addition to college recruiting seasons, we hold annual career days at our area and regional offices nationwide and invite students from state universities, community colleges, and local high schools to learn about a career path into heavy civil construction. It is our goal to introduce and attract the best talent to our industry.

■ JOB SHADOW AT PRUNEDALE IMPROVEMENT PROJECT, SALINAS, CALIFORNIA

California Polytechnic State University engineering and construction management students joined Granite for a day at the Prunedale Improvement project in Salinas to gain on-the-job exposure. The students first joined the crew for the Monday-morning safety meeting and shadowed a project engineer for a job tour. The day wrapped up with a presentation by our corporate recruitment manager on interviewing techniques and steps for developing a rewarding career in the construction industry.



	Available Online Courses	Available Live Courses
Leadership Development	23	22
Personal Development	97	16
Job-Specific Development	104	
Safety	126	

583
salaried
employees

accessed the wellness portal in 2013
as part of our Building a Healthier
You Wellness Program.

150 participants shed
1,231 lbs.
in 2013.

150 participants shed
699 lbs.
in 2012.



Environment

2014 Environmental Goals

1. Our Environmental Management System (EMS) conforms to ISO 14001:2004, an internationally recognized state-of-the-art standard for EMSs, and we have certified our Large Project business under ISO 14001:2004. By 2016 we will certify one of our VI businesses as a pilot program.
2. The ultimate goal is zero environmental incidents and citations. By 2016 we will reduce citations and spills by 50 percent through compliance systems and training.
3. We will measure and benchmark the sale of green construction materials and technologies and take steps to increase the frequency that green technologies are responsibly used in production. Examples include recycled asphalt pavement, recycled asphalt shingles, recycled concrete pavement, rubberized asphalt, warm-mix asphalt, and green asphalt modifiers.
4. By 2016 we will complete a pilot project that uses telematics in our heavy equipment, which will improve fuel optimization.
5. By 2016 we will estimate our companywide Stage 1 carbon footprint.

We will be a leader in environmentally responsible operations.

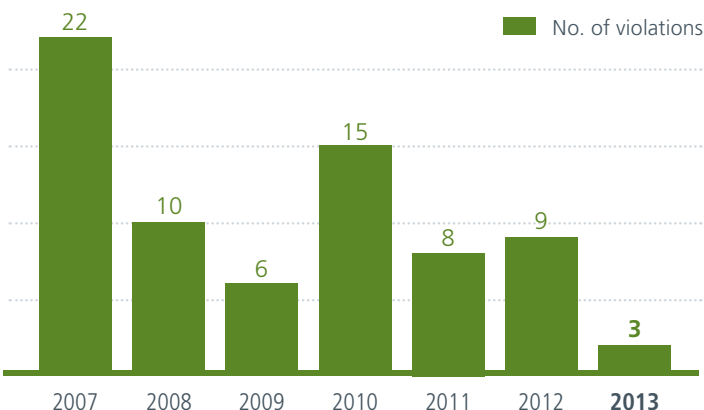
We believe that we must not only satisfy minimum government standards but also find and promote a better way of doing business while reducing our environmental footprint. In an ever-changing business environment with complex requirements and increasing concerns about our natural systems, we must be ever vigilant in advancing our business while remaining exceedingly aware of its effect on the natural environment.

Our commitment to the environment includes the following:

- Meeting or exceeding the requirements of applicable laws and regulations
- Preventing pollution
- Continually improving how we manage our environmental responsibilities
- Conserving natural resources

We do this through our management processes and by engaging our employees to rise to the challenge. We work hard to understand our customers' environmental goals, and we bring solutions to meet—and often exceed—those goals.

Environmental Enforcement Actions Received



LEED GOLD-CERTIFIED MARINE CORPS AIR STATION, MIRAMAR, CALIFORNIA

Granite provided supervision and safety support on the construction of the new LEED Gold-Certified tarmac. Sustainable features include reduced water consumption with low-flow fixtures, renewable energy through the use of photovoltaic and solar water-heating panels, and reduced construction waste through the crushing and reuse of existing asphalt and pavements. Approximately 14 percent of the buildings' energy will be provided through renewable energy.

SAN CLEMENTE CARMEL RIVER REROUTE AND DAM REMOVAL, CARMEL VALLEY, CALIFORNIA

Granite has been contracted to stabilize the sediment in place and reroute/bypass 4,000 linear feet of river to connect it with the adjacent San Clemente Creek. This is a one-of-a-kind river reroute and the largest dam ever to be removed in California history. The team is focused on highly sensitive environmental concerns, such as fish passage, frog habitat, and the long-term viability of the river's ecosystem.

SOUTH LAKE TAHOE HIGHWAY 50 PROJECT WINS BEST STORMWATER MANAGEMENT AND WATER QUALITY PROTECTION PROGRAM

In 2013 Granite's Nevada team received an award from the Lahontan Region Water Board and Caltrans for Best Stormwater Management and Water Quality Protection Program. The project, located in the Lake Tahoe Basin, is in one of the most highly environmentally regulated areas in the United States. The plan involved collecting all the roadway stormwater and diverting it into detention basins to prevent water from being discharged directly into Lake Tahoe (located 700 feet from the project). Granite completed the project successfully, with zero stormwater incidents and zero discharges into the lake.



Goal	Our Progress	Results
We will maintain an effective Environmental Management System and routinely perform biannual internal EMS audits.	In 2012 and 2013, we conducted EMS audits on 100 percent of our business units except for a recent acquisition.	✓
We will comply with applicable environmental regulations by maintaining environmental expertise and compliance systems and by conducting employee training, improving year over year.	The number of formal enforcement actions by a regulatory agency in 2012 was two, and in 2013 it was three.	✓
Granite's Environmental staff is committed to inspecting each plant site and large-project site once per year.	In 2012 and 2013, each plant site and large project was inspected at least once by internal Environmental staff.	✓
By 2014 we will have a 7 percent reduction in power and fuel on a per-ton basis from 2011 baseline at 10 asphalt plants, with the goal of operating more energy-efficient asphalt production facilities.	In 2012 and 2013, the return on our energy conservation plan was 500,000 kilowatt-hours at 13 asphalt facilities and 600,000 therms per year of natural gas, which equates to 5 percent and 8 percent savings, respectively.	→
By 2014 we will increase the sale and use of warm-mix asphalt by 20 percent of total asphalt produced.	In 2012 warm-mix asphalt production was 12.5 percent of total asphalt produced. In 2013 it was 6.7 percent. This reduction reflects changing market conditions and an increased use of recycled asphalt in lieu of warm-mix asphalt. Approximately 50 percent of our asphalt plants are capable of producing WMA, which represents the bulk of our production capabilities.	✗
By 2014 we will increase the recycled-asphalt pavement content by 15 percent in all asphalt produced.	In 2012 the recycled-asphalt content of all the asphalt we produced averaged 5.9 percent. In 2013 that number increased to 6.9 percent.	→
By 2012 Granite will conduct two internal training events on a sustainable infrastructure rating system.	In 2013 we developed an e-learning module for internal training events around our sustainable and green business practices. Our employees have access to these recorded training events through Granite University's online forum.	✓



■ RED ROCK ROAD REHABILITATION USES COLD IN-PLACE RECYCLING, SPARKS, NEVADA

The project team incorporated the eco-friendly pavement rehabilitation process known as cold in-place recycling, with a 2-inch plant mix bituminous overlay on the Red Rock project. Because it is a cold process (using no heat), pollution is reduced and the fumes associated with applying heat to asphalt are minimized. There were zero worker injuries, and crews were able to recycle 2,800 tons of shouldering material.

**More than
\$30,000**
was saved by reusing and recycling office supplies and furniture.

26
of our asphalt plants have warm-mix capabilities.

136,548
tons of
warm-mix asphalt
was incorporated on a 17-mile section of Interstate 5 near Sacramento, California.

■ PROMOTING THE USE OF WARM-MIX ASPHALT

Granite has worked with state transportation departments to successfully place more than 1 million tons of warm-mix asphalt in Alaska, Arizona, California, Nevada, Utah, and Washington. WMA is an innovative technology that allows asphalt to be produced, placed, and compacted at temperatures that are 60 to 100 degrees lower than those used for conventional hot-mix asphalt. Because the WMA can be mixed and compacted at lower temperatures, this method consumes less energy and generates fewer emissions than the hot-mix method.

■ GREEN CONSTRUCTION

We are always seeking new and innovative ways to use products, processes, and methodologies to help us—and our clients—save energy, conserve natural resources, and accomplish more with fewer environmental impacts. A cornerstone of our efforts is the use on our own projects of recycled materials originating from the construction materials that we produce in-house. Effective alternative recycling options include the following.

- **Central asphaltic recycling**
- **Cold in-place recycling**
- **Full-depth reclamation**
- **Rubberized asphalt**
- **Recycled base**
- **Warm-mix asphalt**
- **Low-permeability asphalt**
- **Porous asphalt**
- **Asphalt shingles**





Sustainable Infrastructure

2014 Sustainable Infrastructure Goals

1. We will support and be actively engaged in industry associations that advocate infrastructure funding. Additionally, we will commit a senior manager in a leadership position for the major industry associations, at the state and federal levels, in all regions in which Granite operates.
2. We will lead active, local, grassroots advocacy programs that promote the advancement of infrastructure development.
3. We will participate in the advancement of industrywide sustainable construction practices.

We will build the infrastructure of the future.

We actively participate in programs to influence public policy related to the adequate and reliable public funding of the country's infrastructure. We also support organizations that are advancing sustainable infrastructure and, where possible, incorporate sustainability practices into the work we do.

Granite understands the importance of engaging local and state government officials in educating and supporting the mission of aggregate material production, mining, and construction within our community, and we work with them when regulations are under development that affects our industry and community. From these meetings and our organization's involvement, we have been able to develop meaningful relationships with local and state government officials, leading to the advancement of sustainable business practices.

■ NATIONAL AGC HARDHATS FOR HIGHWAYS CAMPAIGN

Through the leadership roles that many of our executives hold as board members, Granite was in the forefront of promoting a long-term transportation bill to rehabilitate and expand our nation's federal highway system. As a result of legislative compromise, our industry's efforts led to the passage of a short-term transportation bill titled Moving Ahead for Progress (MAP-21). Granite remains committed to the passage of a long-term transportation bill. We are actively involved in Hardhats for Highways, a national campaign developed by a broad-based industry coalition demanding action from our elected officials to develop long-term funding for our nation's highways and infrastructure.

■ KENNY CONSTRUCTION AIDS CHICAGO TRANSIT AUTHORITY WITH CAPITAL PROGRAM NEEDS, CHICAGO, ILLINOIS

For more than 20 years, Kenny Construction has been engaged in numerous construction management and project management assignments for the Chicago Transit Authority (CTA). Most recently, Kenny has teamed with an industry-leading designer to form the joint-venture Chicago Transit Partners to play a key role in CTA's capital program. The team is assisting CTA with front-end planning, design, logistics, and implementation for a number of critical projects.

■ CHISHOLM TRAIL PARKWAY DESIGN-BUILD, BURLESON, TEXAS

The Chisholm Trail Parkway (CTP) Section 6 design-build project for the North Texas Tollway Authority was a \$182 million project in Johnson County, approximately 30 miles from Fort Worth. CTP includes 13 miles of new toll road and features 19 bridges. Now complete, CTP provides the public with a convenient route in and out of south Fort Worth and is expected to bring significant growth to some of Texas's rural areas.

■ GRAND OPENING OF WORLD TRADE CENTER'S WEST CONCOURSE, NEW YORK CITY

The Port Authority of New York and New Jersey opened the World Trade Center (WTC) West Concourse in October 2013. At approximately 800,000 square feet, this is the third-largest transportation hub in New York City, rivaling Grand Central Station in size. The WTC Transportation Hub's concourse connects visitors to 11 different subway lines. West Street (route 9A) is a signature element that restores a critical pedestrian transit link lost on September 11, 2001.



Goal	Our Progress	Results
<p>We will be actively engaged in and support industry associations that advocate infrastructure funding. Additionally, we will commit a senior manager in a leadership position for the major industry associations, at the state and federal levels, in all regions in which Granite operates.</p>	<p>To date Granite actively participates in more than 50 industry organizations. Our executive and senior management teams serve in leadership and advocacy roles as board members, committee chairs, and members of many standing committees. These associations and Granite executives who serve in key capacities include, but are not limited to, the following:</p> <ul style="list-style-type: none"> • American Road & Transportation Builders Association • Association for the Improvement of American Infrastructure • Associated General Contractors of America • National Asphalt Pavement Association • National Stone, Sand & Gravel Association • US Chamber of Commerce • Transportation Research and Information Program • Sustainable Infrastructure Advisory Board at Harvard University's Graduate School of Design • Institute for Sustainable Infrastructure <p>Our corporate, state, and local governmental affairs activities were accelerated in 2012 and 2013 to educate and inform legislative delegations about issues facing the construction industry.</p>	
<p>We will lead active, local, grassroots advocacy programs that promote the advancement of infrastructure development.</p>	<p>We have public affairs representatives who are committed to local, grassroots efforts in each community in which we have physical offices. These include Alaska, Arizona, California, Florida, Nevada, New York, Texas, Utah, and Washington.</p>	



Quality

2014 Quality Goals

1. We have a quality management system that conforms to ISO 9001:2008, an internationally recognized state-of-the-art standard for quality management systems, and have certified our Large Project Construction segment. By 2016 we will complete a feasibility study on implementing ISO 9001:2008 in our VI businesses.
2. By 2016 we will increase by 10 percent the number of Quality staff with recognized professional quality certifications/licensure.
3. As evidence of customer satisfaction, we will earn at least 15 distinguished industry awards, commendations, or recognitions annually by 2016.

We aspire to 100 percent customer satisfaction.

We are in business to efficiently deliver high-quality projects and materials that meet or exceed our customers' standards. Through our commitment to quality, we build trust with our customers as a reliable contractor and materials provider. We meet our quality objectives by maintaining management systems and continually improving the management of our quality objectives. We systematically control construction and materials quality to ensure conformance with statutory, regulatory, and other customer quality requirements.

27
Diamond Achievement Awards

received for outstanding recognition for our hot-mix asphalt/warm-mix asphalt business

ISO 9001:2008 Certification

of our management system in our Large Project Construction segment

■ HIGHLIGHT: NAPA DIAMOND ACHIEVEMENT

In 2012 various Granite facilities in Arizona, California, Nevada, Utah, and Washington received 27 Diamond Achievement Awards from the National Asphalt Pavement Association (NAPA)—outstanding recognition for our hot-mix asphalt/warm-mix asphalt business.

■ GRANITE EARNS ISO 9001:2008 AND ISO 14001:2004 CERTIFICATIONS

In December 2013 Granite earned ISO 9001:2008 and ISO 14001:2004 certifications for its project management and construction activities on designated projects in its Large Project Construction segment. ISO 9001:2008 and ISO 14001:2004 are well-known international standards for quality and environmental management systems that represent state-of-the-art practices for companies to manage their quality and environmental objectives and responsibilities.

■ ROUTE 99 REHABILITATION PROJECT, STANISLAUS COUNTY, CALIFORNIA

Route 99 is the first Caltrans job to use 25 percent recycled asphalt pavement Superpave hot-mix asphalt and is one of only three projects in the nation to win NAPA's Quality in Construction Award in three different categories (Over 50,000 Tons, Green, and Innovation). The project earned 100 percent of the project's compaction bonus and 96 percent of all available quality control/quality assurance bonuses.



Goal	Our Progress	Results
We aspire to a year-over-year reduction in rework—and will use it to improve future materials and construction quality.	In 2013 rework measurement was piloted in a large-project region. We continued to research ways to effectively measure rework.	✘
We will maintain a quality management system for quality control and will perform internal quality management system audits on all business units in which they are eligible.	Granite has a quality management system based on ISO 9001:2008, and we conduct internal annual audits of all eligible business units. One notable achievement was the certification of our management system in our Large Project Construction segment to ISO 9001:2008.	✔
We will earn quality bonuses on all eligible projects, with continual improvement year over year.	The bonus measurement reporting is well communicated and is now used before, during, and after construction. It will be used for continuous improvement purposes moving forward, including extensive on-site asphalt production and paving operations training based on success beta training collaboratively conducted in 2013 with multiple departments.	➔
We will responsibly implement the use of sustainable-materials technologies so that the quality of end-product materials is not compromised.	We continue to promote the use of sustainable-materials technology.	➔
Beginning in 2012 we will annually develop a multiyear pavement/materials program with the University of Nevada, Reno, to provide training that includes both classroom and laboratory time.	This program was continued in 2014, with the audience expanded to include plant operations and sales personnel in addition to quality personnel, with a focus on sustainable-materials technologies and new design technologies.	✔
We will improve, year over year, materials plant quality performance through our Plant Quality Performance Indicator.	The reporting has been well received and used for improvement purposes. The included metrics and data sets were collaboratively (Quality and Plant Department input) revised in 2013. Performance improvements have been observed since implementation of the reporting and are expected to plateau at a very positive level in 2014.	➔

Sustainability data can be challenging to measure accurately. We work continuously to improve our data measurement, gathering, and reporting processes to increase the integrity of the information presented. This report contains the best data available at the time of publication.

Contact Us All of us at Granite are deeply committed to improving the way we share information with our stakeholders about our sustainability efforts. We welcome your feedback and comments.

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