



GRANITE

Sustainability Is In Our Hands

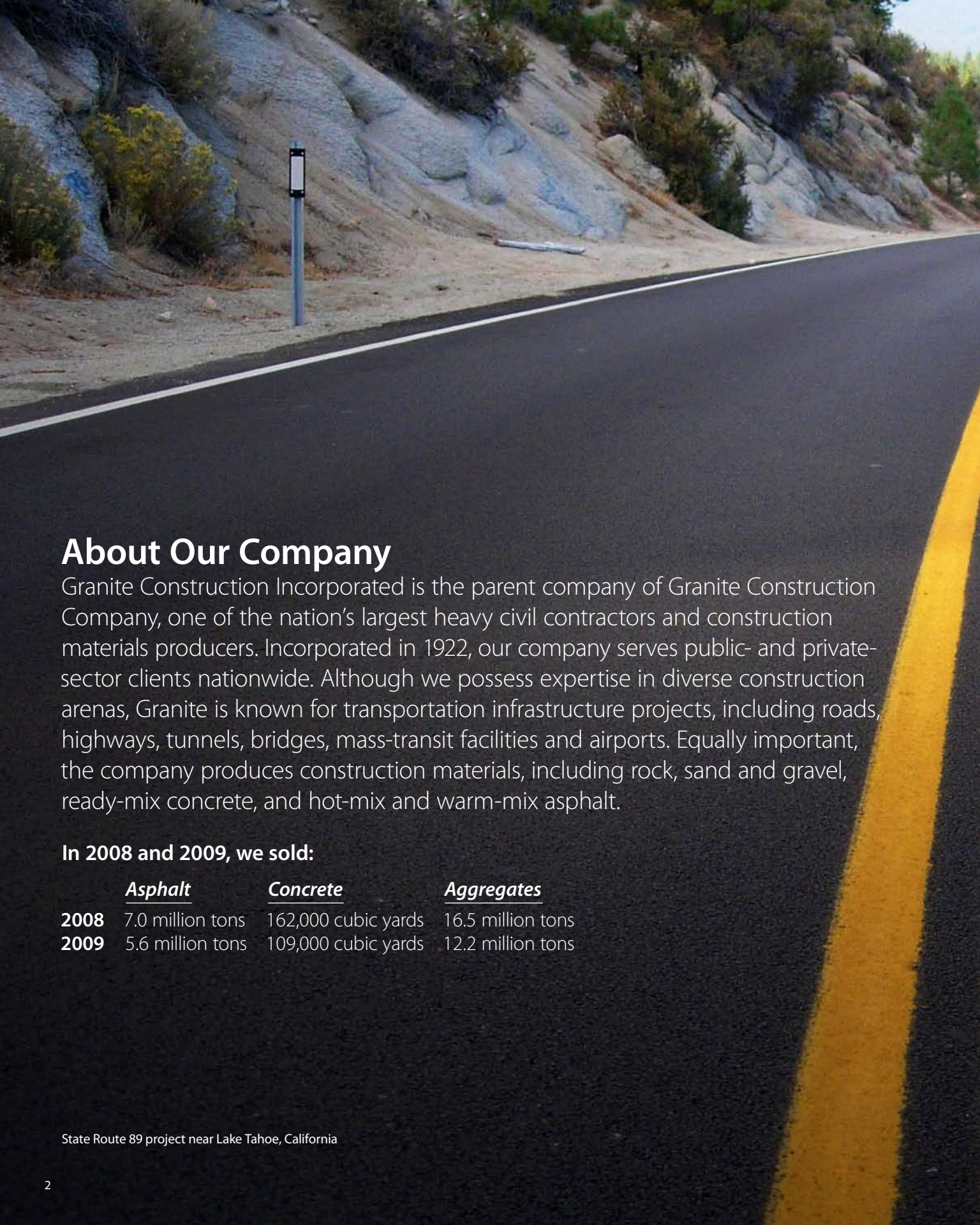
2010 Sustainability Report

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In this biennial publication, we outline Granite's ongoing progress in implementing our environmental programs and improving our sustainable business practices. This is our second such effort; in 2008, we published a report titled ***Environment & Community, 2006–2007 Report to Stakeholders***, which touched on some of these activities. We have compiled this new report to update our stakeholders on the significant progress we made during 2008 and 2009.

All of us at Granite are deeply committed to improving the way we share information about our sustainability efforts with our stakeholders. We view this report as an integral component of that process. We welcome your comments and invite you to contact us with any questions or concerns about Granite, our subsidiaries, our operations or our environmental efforts. Please contact us by e-mail at environmental@gcinc.com or by telephone at (831) 724-1011.



About Our Company

Granite Construction Incorporated is the parent company of Granite Construction Company, one of the nation’s largest heavy civil contractors and construction materials producers. Incorporated in 1922, our company serves public- and private-sector clients nationwide. Although we possess expertise in diverse construction arenas, Granite is known for transportation infrastructure projects, including roads, highways, tunnels, bridges, mass-transit facilities and airports. Equally important, the company produces construction materials, including rock, sand and gravel, ready-mix concrete, and hot-mix and warm-mix asphalt.

In 2008 and 2009, we sold:

	<u>Asphalt</u>	<u>Concrete</u>	<u>Aggregates</u>
2008	7.0 million tons	162,000 cubic yards	16.5 million tons
2009	5.6 million tons	109,000 cubic yards	12.2 million tons



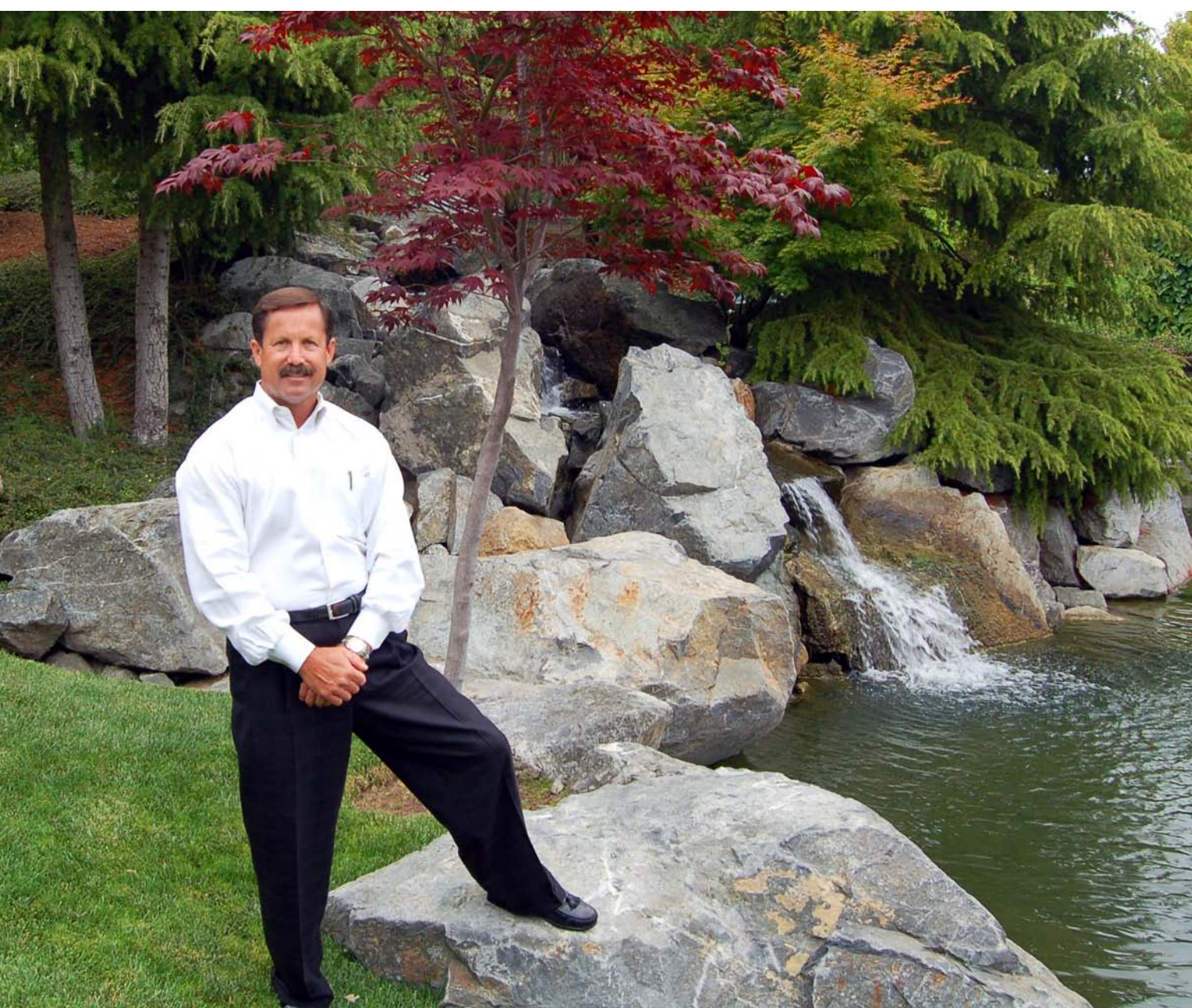
Granite owns one of the largest heavy construction equipment fleets in the country, including cranes, bulldozers, excavators, scrapers, motor graders, loaders, trucks, pavers and rollers. As of December 31, 2009, we owned the following construction equipment, vehicles and plants:

5,254 Trucks, truck-tractors, trailers and vehicles (units)	9 Lime slurry plants
2,362 Heavy construction equipment (units)	22 Portland cement concrete batch plants
69 Asphalt concrete plants	5 Asphalt rubber plants
52 Aggregate crushing plants	

We are skilled at building jobs of all sizes, from small site developments to large billion-dollar projects, and we handle approximately 2,500 projects annually through our offices nationwide.

Headquartered in Watsonville, California, Granite employed approximately 1,800 salaried employees as of December 31, 2009 across the country. With \$2 billion in 2009 revenues, our company is a member of the S&P MidCap 400 Index, the FTSE KLD 400 Social Index and the Russell 2000 Index. Granite is listed on the New York Stock Exchange under ticker symbol GVA. More information on the company is available at www.graniteconstruction.com.

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenue (in billions)	\$2.7	\$2.7	\$2.0
Net Income (in millions)	\$112.1	\$122.4	\$73.5



President and Chief Executive Officer James H. Roberts—Corporate Offices, Watsonville, California



Our Message to Stakeholders

Granite has changed and grown dramatically since we were founded in 1922, but one important quality has endured through the years: a solid ethical foundation, which ensures that we always strive to “do the right thing.” Granite’s past leaders built a strong company with powerful principles, which they handed over to the current generation. In doing so, they considered the future needs of our business, our employees and the communities we serve. We benefited from their integrity and commitment to building a sustainable organization. We owe it to future generations to do the same.

Our vision still includes maintaining a strong company that can continue to serve society in the long run and provide a great place for our employees to work. But as the world has changed, so has our vision, and we have expanded it to address new social concerns and environmental challenges.

Granite’s ability to secure new sources of aggregates depends on our “social license” to operate, which we earn by interacting with our local communities and building a reputation for environmental responsibility. Most of the projects we build serve the public in some way—they improve lives, connect people and communities, and create social value. We build essential infrastructure, and we know that how we conduct our business is important to our shareholders,

customers, employees, neighbors in the communities where we operate, and the traveling public. We also know that societal expectations are changing and will continue to do so, as the views of new generations are heard and global concerns deepen.

Granite’s commitments are to change, contribute to a sustainable society and preserve the sustainability of our organization—commitments that are fulfilled each and every day by our company’s talented leaders and dedicated employees. Their collective efforts are not without challenges, particularly in trying economic times, as they must balance economic performance with new investments and initiatives. We all believe, however, that in the long run, sustainability can create a host of new opportunities for Granite—and for those we serve.

We are proud of what we have achieved, and we are dedicated to doing more. We invite you to read this report in the hope that you will gain an understanding of our company, who we are, and our value-driven efforts.

James H. Roberts

President and Chief Executive Officer

Sharing Our View of Sustainability

We believe that by integrating sustainable practices into our business, we will meet today's social and environmental challenges, and become more competitive in the future.

As early as the 1940s, when Granite's first President created our Company Value Statement, we have maintained a sharp focus on how we conduct our business—and on our environment. While we have adhered to sustainable business practices for many years, we codified our commitment in 1997 when we created our Core Values and Code of Conduct. Since then, we have focused on the development and retention of our employees, and we have created a safe workplace for them. We have listened to our communities and actively contributed to community activities and events. We have built a program to ensure that we meet our environmental obligations, and we have placed our Environmental Vision & Strategy Guidelines into the hands of all of our employees. All of these measures are integral to our success, and they showcase our commitment to operating a responsible and environmentally-sensitive business.

Sustainability is crucial from a social and environmental standpoint, but it is also a long-term business driver. By focusing on specific initiatives that address social, environmental and economic challenges, we can minimize risk and hone our competitive advantage. We believe that Granite can be an even better company through the benefits we derive from our sustainability efforts. These include:

- Achieving lower costs
- Experiencing fewer risks
- Accessing new business opportunities
- Preserving our reputation
- Attracting skilled employees
- Earning public trust and securing our "social license" to operate

We value the role that Granite plays in our nation, and we understand that we have a growing responsibility to support a more sustainable society—a better society for future generations.





State-of-the-art asphalt concrete production facility in Santa Paula, California



Granite employees at the Eagle Canyon project in Utah

Upholding Our Ethical Standards and Commitment to Compliance

In 2010, Granite was recognized by the Ethisphere Institute as one of the “World’s Most Ethical Companies.” Out of a record number of nominees, Granite was named to the list by demonstrating an outstanding commitment to ethical business practices. Granite was also honored by Ethisphere in 2008 as having one of the “Best Overall Government Contractor Ethics Programs” in our industry.



“Boldly contending for that which is right and firmly rejecting that which is wrong.”

Company Value Statement circa 1940s

Granite Founder Walter Wilkinson

Granite has a tradition of ethical and responsible conduct, and each Granite employee is expected to maintain this standard at all times. Our Code of Conduct embodies the vision of our founders, encompasses our values and establishes our high standard of behavior. It defines how we deal with one another and how we treat those with whom we interact in our daily business. We believe that honoring and maintaining our predecessors’ high ethical standards will help to ensure that all stakeholders will be well served and our reputation for integrity will be preserved.

Granite’s Code of Conduct consists of two key aspects: Core Values and Compliance Guidelines. Our Core Values are part of our heritage—they are fundamental to who we are, and they form the basis for our decision-making. These Core Values represent the high standards that we strive to maintain.

Granite’s Corporate Compliance Program defines and governs the conduct that we expect of our employees, provides guidance on resolving questions related to business conduct and ethical issues, and establishes a mechanism by which employees can report possible violations. The Corporate Compliance Program is a series of policies, procedures and protocols that define the particular laws we must follow and that provide valuable guidance on how we should carry out our individual responsibilities. It also identifies who is responsible for the oversight of the program and its activities, including a Compliance Officer, Compliance Committee and Field

Compliance Officers. A key component of the program is regular compliance training for our management, supervisory and professional employees on such issues as antitrust, government contracting, environmental compliance, and Disadvantaged Business Enterprise (DBE) requirements. We also maintain a completely anonymous hotline that employees can call to report concerns. In this way, we ensure that every Granite employee not only has the ability but the responsibility to help safeguard the integrity of our company. Granite’s dedication to ethical and responsible conduct helps us to fulfill our obligations, while maintaining the trust and confidence of our clients that we will always strive to do the right thing.

We also maintain the highest standards in our hiring practices. Granite actively recruits the best and brightest construction professionals in our industry, regardless of gender, race, disability or religious affiliation. That commitment extends to our projects as well. We draw successfully on the expertise of contractors and suppliers from DBEs in executing a broad range of construction projects. Many of these projects have been widely recognized for their partnerships with DBEs, and they have earned us accolades from such organizations as the U.S. Department of the Interior, state and federal departments of transportation, and large and small businesses alike. We also support minority mentor/protégé organizations such as 100 Black Men of America, Inc., which is focused on improving the quality of life within our communities, and enhancing educational and economic opportunities for all African Americans.



Maintaining Our Safe Workplace

Ingrained in our culture is a firm commitment to employee safety. We believe that preventing accidents is not just good business—it's our moral obligation. Indeed, we base our safety program on our belief that every employee deserves a safe and healthful workplace. Ensuring safety at Granite is more than just a priority—it is one of our defining corporate values, which we fulfill through steady pursuit of our goal to sustain zero injuries.

Soft Tissue

- Soft Tissue Claims
- Soft Tissue Frequency

The frequency of soft tissue incidents and claims has been significantly reduced since 2005.



At Granite, we believe that every working person is entitled to a safe and healthful place to work. That belief makes safety more than just a priority at Granite—it's a fundamental value within our organization. What's more, the responsibility for the safety and health of our employees extends beyond simple compliance with federal and state regulatory requirements. We recognize that the protection of our employees, property, the public and the environment is essential to the efficient and successful completion of every construction project we undertake. And we believe that, in the construction business, safety is every bit as important as quality, morale, costs, schedules and production.

At Granite, our safety goal is zero accidents. We believe that the prevention of accidents is not just good business—it's our moral obligation. The strong safety culture that we have developed at Granite supports and encourages our employees to be careful and to watch out for one another. Our employees understand that safety and accident prevention is not something we do in addition to our work. It's actually *how* we conduct our work.

Protecting Our Employees

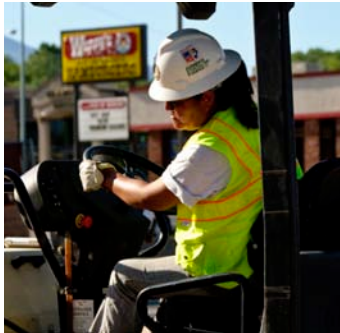
The cost of doing business is on the rise, and our workforce is aging. In fact, studies show that by the year 2015, about 55 million workers will be older than 45. To address these changing workplace dynamics, Granite has taken a proactive approach to identify the causes of the most frequent and severe injuries suffered by our workers, including soft tissue injuries caused by overexertion, and musculoskeletal disorders brought on by mishandling parts, tools, materials and equipment. We evaluate, observe and measure workplace layout, workflow and work method techniques to reduce risk factors that create soft tissue and ergonomic exposures to our employees. As a result of our efforts, we have decreased the frequency of soft tissue incidents and claims (see graph above).

We have also taken an anticipatory approach toward protecting our employees from occupational illnesses, including the establishment of aggressive safety and industrial hygiene-testing programs. We have put in place restrictions that are often far lower than those permitted by existing regulatory guidelines, and we further tighten those limitations when employees work extended shifts. We also employ independent, third-party experts to monitor our efforts, thereby ensuring the integrity and the validity of the findings. We average 28 independent surveys annually, and we collect samples of silica, noise, mixed dust, solvents, welding fumes, asphalt fumes and asbestos fibers each year—all in a bid to minimize the potential for occupational illnesses.

Protecting the Public

In addition to ensuring the safety of our employees, protection of the public is of paramount importance in all phases of our work. Public safety considerations are integral to our schedules, construction plans and public communications. We work diligently to ensure that our construction operations do not put the public or the environment at risk.

We also carefully manage traffic disruption. We recognize that highway reconstruction by its very nature can cause inconvenience to the motoring public. As a result, we analyze traffic queuing and attempt to schedule operations in a way that reduces the potential for unnecessary delays. Appropriate traffic controls are selected, installed and maintained in accordance with the requirements of the Manual on Uniform Traffic Control Devices for Streets and Highways. This is done so that we can effectively communicate with and direct pedestrians and the motoring public—and keep people safe.



Engaging Our Employees

In 2008, *Fortune* magazine named Granite to its list of the “100 Best Companies to Work For in America,” a tribute to the unique corporate culture that has been the cornerstone of our success for more than eight decades.

Granite’s cultural foundation was established by our early leaders and is conveyed to all employees in our Founder’s Guide for Future Generations, Code of Conduct and Core Values. This strong foundation has sustained our culture for the last 88 years, and it serves as a guide for each employee to this day.

Granite Board Member and former President and Chief Executive Officer William G. Dorey describes our mission this way: “While we build our communities, our nation and America’s future, we are continually reinforcing our own foundation. Building character and leaders may be our most important project.” This mindset has led our company to focus on employee learning. Indeed, Granite’s training and development programs emphasize our Core Values and commitment to character building. We have also incorporated Gallup’s skills assessment tool, StrengthsFinder, into our development programs. This instrument helps our employees identify their individual and innate talents, and our development approach provides guidance on how they can leverage these skills so they can do what they do best—each and every day.

Granite works with supervisors to help them understand how to coach their employees to optimize their strengths in the workplace. We believe that this has not only increased the engagement of our employees, but has led to increased productivity, as well. We also build leaders with integrity and competence through our ongoing Leadership Development Programs. The curriculum includes a “Personal Effectiveness Program,” “Granite Supervisory Process,” “Creativity in Business,” and a “Business Acumen Program,” with programs that target specific skills for the construction industry. We believe that when employees are challenged to excel, are overseen by a management team that is dedicated to training and development, and work within a corporate culture of integrity, they experience superior engagement and satisfaction.



Granite Taps Our In-House Expertise

In 2009, Granite’s 13th Leadership Development Process group focused on the environment. Divided into teams of six to seven participants, this group tackled four projects that focused on improving the environmental program within Granite. These projects addressed LEED, hot in-place recycling, post-mining land use and construction-waste recycling. The Executive Team approved all the projects the group developed, and they are currently being implemented.

Opposite page: Granite employees doing what they do best every day.



Safety Fair in Palmdale, California



Involving Our Communities

One of Granite's Core Values is to be a good corporate citizen, and we participate in a host of philanthropic efforts in every community in which we do business.

Getting involved in the communities where we live, work and operate is a key aspect of our corporate culture. Each year, we support hundreds of community-based organizations nationwide in efforts that are often implemented by our own employee volunteers.

One of Granite's Core Values is to be a good corporate citizen, and we participate in a host of philanthropic efforts in every community in which we do business. For example, we provide direct financial assistance to hundreds of non-profit groups each year, and we donate time and material to organizations in need. Our commitment to these initiatives spans such vital areas as humanitarian efforts, education, the arts, youth sports, senior citizens, community services and youth agencies. We contribute hands-on efforts to the restoration of local baseball and softball fields, and the development of track fields and playgrounds. We donate to charitable organizations, like Habitat for Humanity, as well as to blood drives, coat drives, food banks, homeless shelters, churches, schools, and libraries.

We also reach out to our communities to educate them on Granite and our values. Just a few of the programs and events we have been involved with over the last two years are:

Open Houses: We often host open houses so that the community, including local officials, business owners, customers and vendors, can see Granite's construction capabilities and our commitment to the environment.

Education and Awareness Events: We host various events designed to raise awareness about environmental protection and promote environmental stewardship. In addition to providing volunteers, Granite also makes financial contributions and donates materials for a wide variety of projects.

Environmental Clean-Up Efforts: We voluntarily pick up trash and recyclables to enhance natural environments, from coastlines to forests and streams.

Services for Underserved Community Members: We are committed to our communities, take our environmental stewardship responsibilities seriously, and respect the people and regions we serve. We support

hundreds of grassroots efforts, including homeless shelters, coat drives, The Red Cross Blood Drive, Toys for Tots, local churches, and schools, and we take immense pride in being a good corporate citizen in the communities where we live and operate.

Cleaning Up the Whitewater Preserve

In March 2009, about 75 people—including Granite employees, spouses, friends and community members—helped to clean up the Whitewater Canyon Preserve in the Coachella Valley in Southern California. The preserve is made up of 2,851 acres in the San Geronio Wilderness, and it includes a scenic 291-acre trout farm. The canyon is home to a thriving population of migrating birds, bighorn sheep, mountain lions and endangered species. The Granite team planted trees and shrubs, cleaned up hiking and horse trails, and built a series of four horse corrals—a true demonstration of the sense of citizenship that is ingrained in Granite's culture.

Contributing Land for Community Use

In May 2010, Granite donated an old construction yard in Pajaro, California, to the Redevelopment Agency of Monterey County. Granite cleared the buildings from the five-acre site and completed some minor environmental clean-up in 2009. The County's current plans call for a small regional park with soccer fields, and the County and the Pajaro community are excited about the re-use prospects. The County hopes to initiate park construction in the fall of 2010.

Granite's efforts have paid off in a multitude of ways, including earning our company dozens of awards for community service and environmental excellence in 2008, 2009, and 2010. Two examples of recognition we have received are:

Receiving Accolades for Our Environmental Commitment in Utah


In January 2010, four Granite Construction locations received the "Clean Utah" seal of approval from the Utah Department of Environmental Quality. As a "Clean Utah" Partner, Granite was recognized for our recycling programs, resource conservation and pollution-prevention programs. Clean Utah is a voluntary program designed to recognize and reward facilities or entities that are willing to take steps beyond those required by rule or statute to prevent or reduce pollution.

Becoming "Greener" for the Benefit of Our Communities

In 2009, Granite achieved "green" certification by the Monterey Bay Area (California) Green Business Program. After nearly two years of participation, both our corporate office and our Monterey Bay Area offices and facilities were recognized for exceeding environmental regulatory requirements, preventing pollution and conserving natural resources. Successful efforts included purchasing 100 percent of our paper with recycled content, eliminating disposable kitchen items and water bottles, switching to "green" cleaning products, transitioning to other environmentally-preferred products, updating energy and water fixtures, encouraging carpooling, reusing office equipment, increasing recycling, and training employees to encourage behavior changes in the business. The Monterey Bay area office was noted particularly for its implementation of a comprehensive solid waste management and recycling program at job sites, instituting a natural resource reclamation policy, upgrading energy efficiencies, using electric instead of gas-powered products, promoting efficiencies and undertaking aggressive new measures to reduce the operation's carbon footprint.







At our shops, we recycle our vehicle batteries, aerosol cans, used oil, and antifreeze, diverting these waste streams from the local landfills and disposal facilities.

Improving Our Environmental Performance

Our vision is to lead our industry in environmentally-responsible operations that reflect our Core Values. As such, we are continually improving the management of our environmental responsibilities.

Granite's environmental strategy is guided by our vision and directs us to continually evaluate and improve the way we address our environmental responsibilities while deriving the greatest value from the resources that we use. Our strategy focuses our efforts on our environmental management procedures and systems, recycling of construction materials, energy conservation and land stewardship. In the following sections of this report, we touch on some of our activities and progress in these areas.

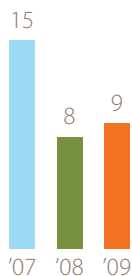
The Granite Environmental Management System (GEMS) is a centerpiece of our environmental management efforts. We are continuously improving our EMS, and in 2008, we made changes to conform to ISO 14001, an international EMS standard. GEMS is a system of business processes that supports Granite's environmental objectives and policies, and ensures that our actions align with our Environmental Vision & Strategy, Core Values and environmental affairs policy.

Ventura Facility, Santa Paula, California



Our environmental efforts have a strong foundation of compliance and ethics leading to enhanced market opportunities.

We support our goals by continuously evaluating our own operations. These evaluations provide insight into our day-to-day activities and management practices, positioning us to proactively address environmental obligations and risks. We advanced our efforts in 2009 by going “live” with a new, comprehensive environmental and land management software system. This system improves Granite’s ability to manage compliance and monitor consistency throughout our operations.



Since 2007, Granite has lowered the number of environmental citations to nine from 15. Our goal for the future is zero citations.

We engage our employees in our efforts by raising their awareness of our environmental goals and business

We Gained Recognition for Our Waste-Reduction Efforts

In 2009, the California Integrated Waste Management Board honored Granite’s Ukiah, California office, with an award under its Waste Reduction Awards Program (WRAP). The WRAP award recognized Granite’s waste and recycling program, as well as our achievements in developing and using new construction products and methods to save energy, to conserve natural resources, and to achieve quality workmanship with fewer environmental impacts.

objectives, and building a strong corporate culture that motivates them to excel. While Granite’s environmental staff guides our environmental efforts, our employees throughout our organization implement them—a measure of how seriously we all take our environmental mandate.

Granite maintains environmental staff throughout our operations to manage our core environmental programs. We also employ public affairs coordinators who manage our community and government outreach efforts. Company leaders meet regularly to review and assess our environmental initiatives. We communicate our progress to our employees through two internal newsletters, *People, Plants and Projects* and *Granite Innovations*, both of which feature articles about Granite’s environmental projects and achievements.

We Help Our Customers Obtain LEED Certification for Projects

LEED (Leadership in Energy and Environmental Design) certification has become an increasingly important measure of environmental responsibility. The LEED Green Building Design and Construction Rating System promotes sustainability by recognizing project performance that incorporates sustainable features. As a member of the U.S. Green Building Council, Granite has eight LEED-certified employees to help support our customers with their green projects.

We Achieved Certification for Our Equipment Shops

Granite began to participate in the California Department of Toxic Substances Control (DTSC) Model Shop Program in 2007. In 2008 and 2009, we achieved certification for 11 of our shops—clear evidence of the success of our waste-reduction and pollution-prevention efforts.

In Granite’s equipment shops, we have implemented several pollution-prevention and waste-reduction practices, including replacing chemical-based solvents with aqueous and non-chlorinated solutions, implementing dry clean-up cleaning methods in place of absorbents, and replacing single-use aerosol cans with refillable spray cans. These shops now utilize non-chlorinated, aqueous-based products for equipment-parts cleaning. These non-solvent, biodegradable formulas reduce concerns regarding combustibility, noxious odors, worker health and safety, atmospheric environmental pollution and hazardous waste disposal.

Advancing Our Green Construction

Our environmentally-responsible practices have enabled us to save energy and conserve natural resources while minimizing our environmental impact, in the process, creating lasting value for our customers and our communities.

Granite's vision calls for us to focus on the use of "green" construction materials and practices. Each year, we incorporate thousands of tons of recycled rubber, asphalt, ready-mix concrete and asphalt roofing shingles into finished construction materials, including asphalt concrete and road base for local roadways.

Our environmentally responsible construction commitment encompasses the use of a number of products and capabilities, all of which reduce the environmental impact of our operations:

- **Recycled Asphalt Pavement**—Reclaimed asphalt pavement, which is usually obtained from existing roadways or parking lots, is recycled into new asphalt pavement. This can lower the need for virgin materials by up to 30 percent. Currently, the majority of our asphalt concrete plants are equipped to recycle asphalt.

- **Cold In-Place Recycling**—Asphalt is removed and recycled in place. Since the process occurs as one continuous operation, cold in-place recycling is an efficient and cost-effective method of revitalizing roads, while recycling 100 percent of the existing road material.

- **Hot In-Place Recycling**—The asphalt surface is heated and the top layer of asphalt is removed and mixed with a virgin asphalt oil to rejuvenate it. The asphalt blend is then immediately used to repave the road. This process significantly reduces the amount of material hauled to and from the site.

- **Full-Depth Reclamation**—The full-depth reclamation process, which takes place at the site, entails recycling existing asphalt pavement and the underlying roadbed into a high-quality base material, over which we lay new or recycled asphalt.

- **Rubberized Asphalt**—Crumb rubber from used tires is blended with asphalt, which requires less product than conventional asphalt, increases pavement life and decreases overall maintenance costs. Up to 2,000 recycled tires can be used in each lane-mile of rubberized asphalt concrete.

- **Recycled Base Rock**—Asphalt and concrete are reclaimed and crushed to yield a material that can replace virgin aggregate as a structural base beneath pavement.



Granite Recycles Asphalt Using Hot In-Place Asphalt Recycled (HIPAR) Technology

During 2009, Granite constructed its first hot in-place asphalt recycled technology project in the state of Washington. This is an environmentally-responsible road-resurfacing process that has environmental and economic benefits. During the process, we heat the surface so that the existing road can be milled and mixed with approximately 20 percent virgin asphalt. We then immediately replace the road surface. There are two major environmental advantages to this process. First, the amount of virgin asphalt required to resurface a road is 80 percent less. Second, because only 20 percent of virgin asphalt is typically needed on a hot in-place asphalt recycled project, trucking is proportionately reduced. Less trucking results in less traffic, fuel savings and fewer vehicle emissions.



Granite employee using warm-mix asphalt paving methods

Up to 2,000 recycled tires can be used in each lane-mile of rubberized asphalt concrete.



Warm-mix asphalt paving demonstration in Pleasanton, California



Granite's Warm-Mix Asphalt Demo Draws Interest in California

In 2008, Granite held a successful warm-mix asphalt demonstration at our Indio facility in Southern California—the first such demonstration in the region. We laid approximately 1,100 tons of warm-mix asphalt on Avenue 40 for the City of Indio, along with a section of conventional hot-mix asphalt. More than 100 guests, including government officials from state and local agencies, engineers, geologists, and researchers, attended the demonstration to learn about this environmentally-sound alternative to traditional paving. Since then, we have conducted other similar demonstrations and produced more than 100,000 tons of warm-mix asphalt.

• **Recycled Asphalt Shingles**—Recycled asphalt shingles from reclaimed roofing shingles are incorporated into new asphalt pavement, reducing the need for virgin asphalt oil.

• **Warm-Mix Asphalt**—Warm-mix asphalt is produced and laid at temperatures that are 50 to 100 degrees lower than those used for traditional hot-mix asphalt. While warm-mix asphalt can lower fuel consumption and emissions, it also enables us to pave in cooler temperatures, extends the paving season into colder months, allows the faster return of traffic to the pavement, and improves the work environment for our employees.

• **Low-Permeability and Porous Asphalt**—Low-permeability asphalt can be used as a liner or containment system in environmental applications. Porous asphalt allows water to pass through it, reducing storm water runoff and allowing rainfall to re-enter the water table.

Key to our success in utilizing recycled construction materials has been our ability to gain the support, interest and involvement of our customers and local communities. We do this through a range of proactive educational efforts, including educational outreach programs for our customers that convey the benefits of recycled construction materials. In the meantime, we are working to increase the production of environmentally-responsible construction materials, thereby helping to create healthier communities for years to come.

Granite's Production of Environmentally-Responsible Materials in Tons per Year

	2007	2008	2009
<i>Asphalt recycled</i>	486,000	640,684	539,750
<i>Base rock recycled</i>	870,000	760,000	590,000
<i>Warm-mix asphalt produced</i>	—	—	115,617

Despite the market downturn, our use of recycled materials incorporated into our asphalt production has increased.

	2007	2008	2009
<i>Increase in use of recycled materials</i>	6.8%	7.3%	10.9%

Practicing Our Responsible Energy Management

Solar power has offered us an exciting new way to improve the environmental outcome of our energy consumption.

Embracing Advanced Solar Power Technology

In 2010, we are continuing our efforts to utilize renewable energy to power our operations. We expect to bring two systems online during 2010, which utilize Amonix High Concentration Photovoltaic (HCPV) Technology. We expect to install three HCPV units at our construction materials facility in Tucson, Arizona, which will have a generating capacity of 159 kilowatts. We also expect to install six HCPV systems at one of our construction materials facilities in Southern California, which will have a generating capacity of 318 kilowatts. These HCPV systems will generate clean energy for more than 25 years and will

significantly offset the amount of power purchased at these facilities.

In addition to our efforts to power operations with renewable energy, we are in the planning and development stages to deploy larger renewable energy projects as part of the reclamation of many of our aggregate mining facilities.

Building Sources of Renewable Energy

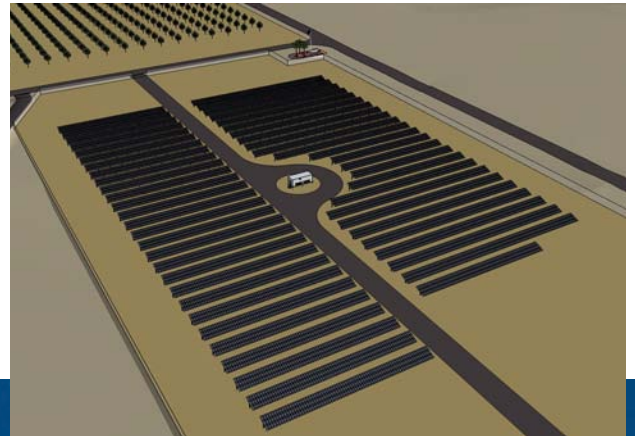
As a company that consumes energy to power equipment and produce goods, Granite is always seeking new opportunities to minimize our energy use. In 2008, we began to conduct energy audits at our asphalt and



Granite's solar project at the Swan facility in Tucson, Arizona

aggregate plants to identify ways to reduce energy consumption and lower power costs. In 2008 and 2009, we voluntarily entered a number of our plant facilities into an energy curtailment program, which provides an incentive to shut down during peak hours, reducing the load on local power distributors. We also installed recycled asphalt pavement systems at a number of our plants, increasing our asphalt-recycling capabilities, which in turn reduces energy use. In addition, we installed warm-mix asphalt technology at 27 asphalt plants, created a warm-mix asphalt task force, and became the West Coast leader in warm-mix asphalt production. We see great opportunity

in this area, and we are developing plans to increase our efficiency in the future.



We are focused on creating long-term sources of renewable energy. In 2009, we began planning for a one-megawatt solar power project to provide power for an aggregate and asphalt facility in Coalinga, California. When this solar-powered system goes online in 2011, it will employ photovoltaic panels to produce a renewable source of energy.



Amonix solar panels in Nevada

Reducing Our Equipment Emissions

New engine technology has allowed us to significantly reduce our equipment emissions.

Granite owns and operates more than 1,800 pieces of off-road diesel construction equipment, accounting for 367,000 combined engine horsepower.

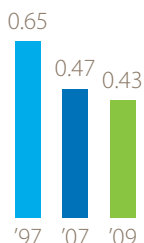
Beginning in 1996, diesel engine manufacturers began implementing new technology, enabling Granite to acquire new equipment that emitted fewer pollutants, particularly oxides of nitrogen (NOx) and diesel particulate

matter (PM). In fact, a plant loader that we purchase today emits 69 percent less PM and 70 percent less NOx than a loader we purchased in 1995.

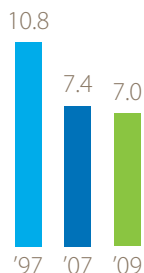
Off-road diesel engines are now designated by tier level (Tier 1 through 4) according to applicable emission standards, with higher tier engines emitting less NOx and PM than lower tier engines. Tier 0 engines were made prior to emission standards. Tier 4-rated engines will begin to be available for the majority of Granite’s equipment in the 2014–2015 model years.

Since diesel technology began evolving to reduce emissions of PM and NOx in the mid-90s, Granite has been taking proactive steps to incrementally update our fleet of off-road equipment.

Fleet Average PM Emissions
PM Emissions (g/bhp-hr)



Fleet Average NOx Emissions
NOx Emissions (g/bhp-hr)



The charts above show the fleet average reduction in emissions from our fleet of off-road equipment. The units are measured in grams per horsepower per hour of operation.



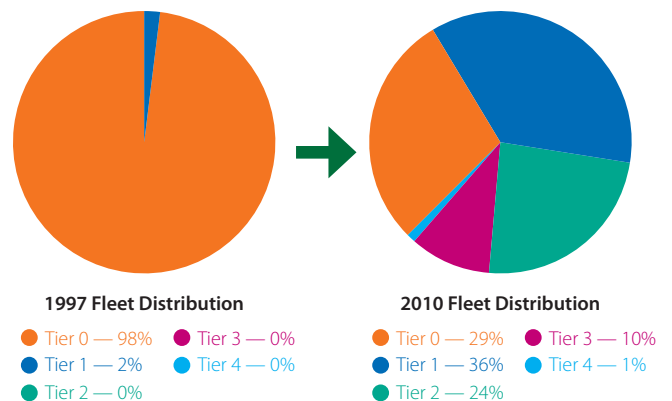
Granite employee maintaining equipment on project site.

In California, we worked closely with staff from the California Air Resources Board on the development and implementation of regulations to reduce PM and NOx emissions from in-use off-road diesel equipment. We have been staying ahead of these emission standards for in-use diesel equipment and making reductions in advance of the target dates in the regulations.



The photograph above shows a front-end loader with a Tier 0 engine (pre-emission standards), next to a newer front-end loader with a Tier 3 engine.

With cleaner engine technology and retrofits on equipment in our California and New York markets, we have been able to reduce our NOx emissions by 35 percent and our PM by 33 percent since 1997 on a fleet average basis. We view this as good progress, given the size of our fleet and the investment we have made in this effort.



The graphs above show the progress Granite has made over the last 13 years increasing the portion of our fleet with cleaner engine technology.



Granite Regional Park, Sacramento, California

Managing Our Land

While mining activities can be disruptive at first, careful planning and reclamation can create habitat, wetlands, parks and active development opportunities after the mining activities are complete. The land entitlement process requires a working partnership with local municipalities, but the reclaimed sites are our true legacy within a community.

Granite owns 763,490 square feet of plant and office space, and 18,772 acres of land, which we use for our mining operations, asphalt and concrete operations, equipment shops and administrative facilities. We have found that aggregate mining operations can benefit many environmental settings, and we monitor our aggregate mining and processing facilities to ensure that we meet or exceed environmental standards. We also work with

local governments and stakeholders to establish post-mining land uses that suit the needs of the surrounding communities.

Reclamation can take several forms. We may develop reclaimed land for office, residential or mixed use, as open space or in some combination of these options. We often partner with developers and local communities to ensure that the development serves local interests.

A perfect example of this kind of collaborative effort is Granite Park, an office park and a public park that was created through a public-private partnership between Granite Land Company, a Granite subsidiary, and the City of Sacramento, California. In 1974, Granite donated 100 acres of previously mined land to the City. A private development team established through the partnership built and leased 600,000 square feet of office space and the partners used the development fees to construct the

facilities for the public park. Since 1998, thousands of residents and visitors have enjoyed the park's walking trails, picnic grounds, soccer fields, horseshoe pits, and fishing lake. Granite later created a dog park; an illuminated, artificial-turf, all-weather soccer field; and a large skateboard park. An additional 60 acres of parkland are planned for the future. When completed, the park will total 137 acres of recreational facilities and feature 3.5 million square feet of office space.



Granite Is Creating Wetlands

In just one example of responsible land stewardship, in 2003 Granite created two and a half acres of wetlands adjacent to the Freeman Quarry in California. We also planted willows and oaks, and monitored them to ensure successful growth. The wetlands now require no maintenance and provide a wonderful natural habitat for plant and animal life.

Soccer fields at Granite Regional Park in Sacramento, California



Achieving Recognition for Our Environmental Efforts, Community Service and Projects

Environmental Excellence Award

National Stone, Sand & Gravel Association (NSSGA)

2009

Silver	Cottonwood Facility	Salt Lake City, Utah
Silver	Indio Facility	Indio, California
Bronze	Wells Facility	Willard, Utah

2008

Silver	Cottonwood Facility	Salt Lake City, Utah
Silver	Bradshaw Facility	Sacramento, California
Bronze	Lockwood Facility	Sparks, Nevada
Bronze	Indio Facility	Indio, California
Bronze	Coalinga Plant	Coalinga, California
Bronze	Vernalis Plant	Tracy, California

Ecological Award

National Asphalt Pavement Association (NAPA)

2009

Indio Facility	Indio, California
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Community Involvement Award

National Asphalt Pavement Association (NAPA)

2009

Utah Branch	Salt Lake City, Utah
Gardner Ranch Facility	Buellton, California

2008

Utah Branch	Salt Lake City, Utah
North State Street Hot Plant	Ukiah, California

Excellence in Community Relations Award

National Stone, Sand & Gravel Association (NSSGA)

2009

Bronze	Gardner Ranch Facility	Buellton, California
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2008

Gold	Cottonwood Facility	Salt Lake City, Utah
Bronze	Handley Ranch Quarry	Gonzales, California
Bronze	Capay Facility	Sacramento, California

Diamond Achievement Commendation for Excellence in Hot-Mix Asphalt Plant

National Asphalt Pavement Association (NAPA)

2009

Arvin Facility	Arvin, California
San Jose Facility	San Jose, California
Santa Clara Facility	Santa Clara, California
Pleasanton Facility	Pleasanton, California
Felton Facility	Felton, California
Salinas Facility	Salinas, California
Gardner Ranch Facility	Buellton, California
Indio Facility	Indio, California
Tangerine Facility	Marana, Arizona
Lockwood Facility	Sparks, Nevada
Sparks Facility	Sparks, Nevada

Cottonwood Facility
West Haven Facility
Martin Facility
Smith Island Facility
Selah Facility
Vancouver Facility

Salt Lake City, Utah
West Haven, Utah
Olympia, Washington
Everett, Washington
Yakima, Washington
Vancouver, Washington

2008

Ogden Facility
Cottonwood Facility
Los Banos Facility
Coalinga Facility
Pleasanton Facility
San Jose Facility
Santa Clara Facility
Salinas Facility
Felton Facility
Gardner Ranch Facility
Selah Facility
Vancouver Facility

Ogden, Utah
Salt Lake City, Utah
Los Banos, California
Coalinga, California
Pleasanton, California
San Jose, California
Santa Clara, California
Salinas, California
Felton, California
Buellton, California
Yakima, Washington
Vancouver, Washington

2009

AGC Partnering Success in Motion

Associated General Contractors of America (AGC—Nevada Chapter)
Weber Dam modification—Nevada

AGC Excellence in Client Service, over \$5 Million

Associated General Contractors of America (AGC—Nevada Chapter)
Highway 28 reconstruction—Nevada

Caltrans Partnering Success In Motion Award

Silver recognition for the I-40 Essex Rehabilitation Project, California

Caltrans Partnering Success In Motion Award—District 11

Gold recognition for the SR-76 Widening and Realignment, California

LEED Certified Development Project

Monterey Uptown Shopping Center, Monterey, California
Silver Certificate

2008

OPAL Award (Outstanding Civil Engineering Achievement Award) ASCE

Granite Construction Company: Woodrow Wilson Bridge, Alexandria, Virginia

America's Transportation Award—Grand Prize Winner—AASHTO

Granite Construction Company: Woodrow Wilson Bridge, Alexandria, Virginia

Public Works Project of the Year—The American Public Works Association (APWA)

Granite Construction Northeast, Inc.: Concourse Transit Line

Project of the Year—Building Alaska's Future Apprenticeship Conference

Alaska Branch, Anchorage, Alaska



Granite employee standing at the
Fernley Interchange project in Nevada

We will work to fulfill our environmental vision by continuing to execute our environmental strategy.

We see the development and updating of the tactical plans that support our strategy as an ongoing, evolving process at both the corporate and business unit levels.

We will monitor the execution of our plans and report on our progress in two years. We appreciate your interest in Granite and encourage you to contact us should you have any questions or comments about this report or any of Granite's activities. Contact information is listed below.

To view the online version or for more information on the photos featured in this report, please go to ***www.graniteconstruction.com***.

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