



GRANITE CONSTRUCTION INCORPORATED COMPENSATION COMMITTEE CHARTER

as Approved by the Board of Directors on
March 20, 2003

I. Statement of Purpose

The Compensation Committee is a standing committee of the Board of Directors. The purpose of the Committee is to discharge the responsibility of the Board of Directors relating to compensation of the Company's Directors, executive officers and such other employees as the Committee may determine (together, "management") and related matters. The Committee shall also prepare a report on executive compensation for inclusion in the Company's annual proxy statement.

II. Organization

A. Charter. At least annually, this charter shall be reviewed and reassessed by the Committee and any proposed changes shall be submitted to the Board of Directors for approval.

B. Members. The members of the Committee shall be appointed by the Board of Directors and shall meet the independence requirements of applicable law and the listing standards of the New York Stock Exchange, the requirements of an "outside director" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended, and the requirements of a "non-employee director" for purposes of Section 16 of the Securities Exchange Act of 1934, as amended. The Committee shall consist of at least three (3) members. Committee members may be removed by the Board of Directors. The Board of Directors shall also designate a Committee Chairperson; other officers of the Committee shall be elected by members of the Committee.

C. Meetings. In order to discharge its responsibilities, the Committee shall each year establish a schedule of meetings; additional meetings may be scheduled as required.

D. Quorum; Action by Committee. A quorum at any Committee meeting shall be at least two members. All determinations of the Committee shall be made by a majority of its members present at a meeting duly called and held, except as specifically provided herein (or where the Committee consists of only two members, by unanimous vote). Any decision or determination of the Committee reduced to writing and signed by all of the members of the Committee shall be fully as effective as if it had been made at a meeting duly called and held.

E. *Agenda, Minutes and Reports.* The Chairperson of the Committee shall be responsible for establishing the agendas for meetings of the Committee. An agenda, together with materials relating to the subject matter of each meeting, shall be sent to members of the Committee prior to each meeting. Minutes for all meetings of the Committee shall be prepared to document the Committee's discharge of its responsibilities. The minutes shall be circulated in draft form to all Committee members to ensure an accurate final record, shall be approved at a subsequent meeting of the Committee and shall be distributed periodically to the full Board of Directors. The Committee shall make regular reports to the Board of Directors.

III. Responsibilities

The following shall be the principal responsibilities of the Committee:

A. *Goals and Objectives.* The Committee shall review and approve periodically, but no less frequently than annually, the Company's goals and objectives relevant to compensation of the Chief Executive Officer, other officers and senior management, including the balance between short-term compensation and long-term incentives. The Committee shall evaluate the performance of the Chief Executive Officer, other officers and senior management in light of those goals and objectives and shall set the compensation level of the Chief Executive Officer, other officers and senior management based on such evaluation.

B. *Compensation Levels.* The Committee shall establish the compensation level (including base and incentive compensation) and direct and indirect benefits of the Chief Executive Officer, other officers and senior management. In determining incentive compensation, the Committee shall consider, among other factors it deems appropriate from time to time, the Company's performance and relative stockholder return (or other criteria) during such periods as the Committee may deem appropriate, the value of similar incentive awards to persons holding comparable positions at comparable companies and the awards given to management in prior years. The Chairperson of the Committee shall be responsible for communicating to the Chief Executive Officer the evaluation of the performance of the Chief Executive Officer conducted by the outside Directors of the Company and the level of compensation approved for the Chief Executive Officer.

C. *Post-Service Arrangements.* The Committee shall evaluate the post-service arrangements and benefits of the Chief Executive Officer and other management and their reasonableness in light of practices at comparable companies and any benefits received by the Company in connection with such arrangements.

D. *Incentive Compensation Plans.* The Committee shall make recommendations to the Board of Directors with respect to the establishment and terms of incentive compensation plans, qualified and non-qualified plans, and equity-based plans and shall monitor such plans, including determining any awards to be granted to management under any such plan implemented by the Company.

E. *Appointment and Monitoring of Named Fiduciaries.* With respect to any funded employee benefit plan covering employees of the Company subject to the fiduciary responsibility provisions of the Employee Retirement Income Security Act of 1974, the Committee shall have the authority to appoint and

terminate the named fiduciary or named fiduciaries of such plan and shall monitor their performance, unless such fiduciaries are specified in the constituent plan documents.

F. *Evaluation of Compensation Program.* The Committee shall review on a periodic basis the operation of the Company's compensation program to evaluate its coordination and execution and shall recommend to the Board of Directors steps to modify compensation programs that provide benefits or payments that are not reasonably related or are disproportionate to the benefits received by the Company.

G. *Perquisite Policies.* The Committee shall establish and review periodically policies with respect to management perquisites.

H. *Director Compensation and Perquisites.* The Committee shall advise the Board of Directors with respect to proposed changes in Board or Committee compensation, as well as Director retirement policies and programs and perquisites, but not less frequently than biannually. In considering Director compensation and perquisites, the Committee may take into consideration the relative responsibilities of Directors in serving on the Board and its various Committees. The Committee may request that management report to the Committee periodically on the status of the Board's compensation and perquisites in relation to other similarly situated companies. Directors who are Company employees shall not be compensated for their services as Directors. The Committee shall review annually any stock ownership guidelines applicable to Directors and shall recommend to the Board of Directors revisions to any such guidelines as appropriate.

I. *Committee Performance Evaluation.* The Committee shall evaluate its performance on an annual basis and develop criteria for such evaluation.

J. *Access to Records, Consultants and Others.* The Committee shall have the ultimate authority and responsibility to engage and terminate any outside consultant to assist in determining appropriate compensation levels for the Chief Executive Officer, other officers and senior management and to approve the terms of any such engagement and the fees of any such consultant. In discharging its responsibilities, the Committee shall have full access to any relevant records of the Company and may also request that any officer or other employee of the Company, including the Company's senior compensation or human resources executives, the Company's outside counsel or any other person meet with any members of, or consultants to, the Committee.

K. *Annual Compensation Committee Report.* The Committee shall produce an annual report on executive compensation for inclusion in the Company's annual proxy statement, all in accordance with applicable rules and regulations.

L. *Delegation.* The Committee may delegate any of its responsibilities to a subcommittee comprised of one or more members of the Committee.

M. *Other Duties.* The Committee shall also carry out such other duties that may be delegated to it by the Board of Directors from time to time.
