

**STERLING CONSTRUCTION COMPANY, INC.**  
**CHARTER OF THE COMPENSATION COMMITTEE**

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1. **The Compensation Committee.** The Compensation Committee (sometimes referred to herein as the "*Committee*") is a standing committee of the Board of Directors (the "*Board*") that is charged with assisting the Board in fulfilling its responsibility to oversee the Company's compensation policies and practices.
2. **Committee Resources.** The Board will ensure that the Company provides the Committee with the resources needed to carry out its responsibilities and to exercise its authority under this Charter.
  - (a) *Consultants & Advisers.* The Committee has the authority to appoint, retain, compensate, and oversee the work of compensation consultants, legal counsel, and other compensation advisers.
    - (i) Before selecting consultants, legal counsel and other compensation advisers (other than in-house legal counsel) the Committee will consider the independence factors set forth in Appendix A to this Charter.
    - (ii) Nothing in this Charter may be construed to require a compensation consultant, legal counsel or other compensation adviser to be independent; rather the Committee will consider the enumerated independence factors before selecting, or receiving advice from a compensation adviser. Accordingly, after that consideration, the Committee may select, or receive advice from, any compensation adviser it chooses, including ones that are not considered independent.
    - (iii) The Compensation Committee is not required under this Charter to conduct an independence assessment for a compensation adviser that acts in a role limited to the following activities for which no disclosure is required under Item 407(e)(3)(iii) of Regulation S-K:
      - Consulting on any broad-based plan that does not discriminate in scope, terms, or operation in favor of executive officers or directors of the Company, and that is available generally to all salaried employees; and/or
      - Providing information that either is not customized for a particular issuer, or that is customized based on parameters that are not developed by the adviser, and about which the adviser does not provide advice.
  - (b) *Administrative Support & Continuing Education.* The Committee will have access to Company staff, administrative support, and members of management in connection with carrying out its responsibilities. In addition, members of the Committee may cause the Company to reimburse members for continuing education programs and courses related to their duties and responsibilities.
3. **Compensation Committee Membership.** Anything in the By-Laws of the Company to the contrary notwithstanding —
  - (a) The Committee must consist of not less than three members, each of whom is an independent director (as defined below) of the Company. Committee members and the chair of the Committee will be elected by the affirmative vote of no less than a majority of the Company's independent directors, and will serve until his or her replacement, resignation or death.

- (b) An independent director for purposes of membership on the Committee is a director who —
  - (i) The Board has affirmatively determined does not have a material relationship with the Company that would interfere with the exercise of his or her independent judgment;
  - (ii) Does not receive, directly or indirectly, any consulting, advisory or other compensation from the Company other than in his or her capacity as a director, or as a member of one or more committees of the Board;
  - (iii) Is not an affiliated person of the Company or of any subsidiary of the Company, other than by reason of his or her status as a director or as a member of one or more committees of the Board;
  - (iv) Is a "non-employee director" as defined in Rule 16b-3 of the Securities Exchange Act of 1934;
  - (v) Is an "outside director" as defined in Section 162(m) of the Internal Revenue Code; and
  - (vi) Does not otherwise fall within the category of persons that are not considered independent for purposes of a compensation committee's membership under the rules of the exchange or trading system on which the Company's common stock is traded, or under applicable rules and regulations of the Securities and Exchange Commission.

#### 4. **Compensation Committee Governance.**

- (a) *Quorum & Voting.* Anything in the By-Laws of the Company to the contrary notwithstanding, at meetings of the Committee, the presence of a majority of all members is necessary to constitute a quorum for the transaction of business, and the affirmative vote of a majority of all members of the quorum is necessary to take any action.
- (b) *Delegation.* The Committee may delegate any of its responsibilities to one or more members of the Committee except to the extent prohibited by applicable law, or by the rules and regulations of any exchange or trading system on which the common stock of the Company is traded.
- (c) *Committee Deliberations.* Neither the Company's principal executive officer, its principal financial officer, any named executive officer, nor any other Officer (as defined in Section 5(a), below) may be present during voting or deliberations by the Committee on his or her compensation.
- (d) *Rules & Regulations.* The Committee may adopt the rules and regulations for the calling and holding of its meetings, and for the transaction of business at its meetings that members deem necessary, appropriate or advisable, provided that those rules and regulations are not inconsistent with —
  - (i) The laws, rules and regulations referred to in Section 3(b)(vi), above;
  - (ii) The Certificate of Incorporation or the By-Laws of the Company (except as otherwise expressly provided herein;)
  - (iii) Any resolution of the Board; or
  - (iv) The express terms of this Charter.
- (e) *Meetings of the Committee.* The Committee will meet as frequently as circumstances require, will keep minutes of its meetings, and will report any actions taken at its meetings to the other directors of the Company at the next meeting of the Board.

5. **Authority of the Compensation Committee.** In the performance of its duties and responsibilities, the Committee has the authority described below. The Committee's authority to approve any matter includes the authority not to approve it. The Committee has the authority —
- (a) *Compensation.* To determine the type, the amount, the manner and the time of payment, of salary, incentive compensation and any other compensation ("*Compensation*") that is paid to the persons set forth below, referred to as the "*Officers*:"
    - (i) All officers of the Company; and
    - (ii) The principal executive officer of each of the Company's subsidiaries and affiliates.
  - (b) *Incentive Compensation Goals.* To set any goals, financial or personal, pursuant to which any incentive compensation may be earned by an Officer, and determine the level of achievement, if any, of those goals.
  - (c) *Agreements.*
    - (i) To determine the terms and conditions of Officers' employment agreements and severance arrangements, and any amendments thereof.
    - (ii) To determine which, if any, employees of the Company and its subsidiaries and affiliates are provided with change-in-control severance benefits, and the terms and conditions of those benefits.
  - (d) *Stock Plans.* To administer the Company's stock plans, and in that connection, to do the following:
    - (i) Determine which employees of the Company and its subsidiaries and affiliates are awarded stock options and/or shares of stock ("*Awards*");
    - (ii) Determine the terms and conditions of any Awards;
    - (iii) Make any Awards that have been approved by the Board as compensation for non-employee directors; and
    - (iv) Make any other determinations and decisions relating to the stock plans of the Company as the Committee deems necessary, appropriate or advisable.
  - (e) *Benefit Plans.* To review and approve the Company's benefit plans and any special or supplemental employee benefits that affect Officers, or in which Officers may participate.
  - (f) *Records and Personnel.* To have access to all books, records, facilities and personnel of the Company.
6. **Continuing Responsibilities of the Compensation Committee.** The following is a non-exclusive list of actions that the Committee should take to ensure that it is fulfilling its responsibilities. These steps may change from time to time as circumstances dictate.
- (a) *Risks.* Periodically discuss with members of management the risks that arise from the Company's compensation policies and practices, and particularly from its incentive compensation arrangements.
  - (b) *Compensation Reviews.* Review the amount and the manner of payment of salary, incentive and other compensation of the Officers to determine whether they fulfill the Company's overall compensation objectives, and determine what action to take, if any, in the event that at an Annual Meeting, stockholders do not approve the Company's executive compensation.

- (c) *The Compensation of Non-Employee Directors.* The Committee will —
- (i) Periodically review and confer with the Corporate Governance & Nominating Committee on the compensation of non-employee directors.
  - (ii) As required from time to time, determine the compensation of non-employee directors for serving on *ad hoc* committees of the Board.
- (d) *Annual Responsibilities.* The Committee will annually —
- (i) Review and discuss with management the Compensation Discussion and Analysis, and based on that review and those discussions, determine whether to recommend that it be included in the Company's Annual Report on Form 10-K.
  - (ii) Review and assess its own performance and the adequacy of this Charter, and recommend any changes to be made thereto to the Board.
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## **APPENDIX A**

### **Independence Factors**

1. The provision of other services to the Company by the person that employs the compensation consultant, legal counsel or other adviser;
2. The amount of fees received from the Company by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;
3. The policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;
4. Any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the Compensation Committee;
5. Any stock of the Company owned by the compensation consultant, legal counsel or other adviser; and
6. Any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the Company.

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Adopted November 2, 2005  
Revised March 14, 2007  
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Revised May 6, 2011  
Revised November 7, 2012  
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