

# Environmental, Social and Governance Update

January 2019



## Aggregates

Essential Material | Valuable Asset

# IMPORTANT DISCLOSURES

## Forward Looking Statements

This document contains forward-looking statements. Statements that are not historical fact, including statements about Vulcan's beliefs and expectations, are forward-looking statements. Generally, these statements relate to future financial performance, results of operations, business plans or strategies, projected or anticipated revenues, expenses, earnings (including EBITDA and other measures), dividend policy, shipment volumes, pricing, levels of capital expenditures, intended cost reductions and cost savings, anticipated profit improvements and/or planned divestitures and asset sales. These forward-looking statements are sometimes identified by the use of terms and phrases such as "believe," "should," "would," "expect," "project," "estimate," "anticipate," "intend," "plan," "will," "can," "may" or similar expressions elsewhere in this document. These statements are subject to numerous risks, uncertainties, and assumptions, including but not limited to general business conditions, competitive factors, pricing, energy costs, and other risks and uncertainties discussed in the reports Vulcan periodically files with the SEC.

Forward-looking statements are not guarantees of future performance and actual results, developments, and business decisions may vary significantly from those expressed in or implied by the forward-looking statements. The following risks related to Vulcan's business, among others, could cause actual results to differ materially from those described in the forward-looking statements: those associated with general economic and business conditions; the timing and amount of federal, state and local funding for infrastructure; changes in Vulcan's effective tax rate; the increasing reliance on information technology infrastructure for Vulcan's ticketing, procurement, financial statements and other processes could adversely affect operations in the event that the infrastructure does not work as intended or experiences technical difficulties or is subjected to cyber attacks; the impact of the state of the global economy on Vulcan's businesses and financial condition and access to capital markets; changes in the level of spending for private residential and private nonresidential construction; the highly competitive nature of the construction materials industry; the impact of future regulatory or legislative actions, including those relating to climate change, wetlands, greenhouse gas emissions, the definition of minerals, tax policy or international trade; the outcome of pending legal proceedings; pricing of Vulcan's products; weather and other natural phenomena; energy costs; costs of hydrocarbon-based raw materials; healthcare costs; the amount of long-term debt and interest expense incurred by Vulcan; changes in interest rates; volatility in pension plan asset values and liabilities, which may require cash contributions to the pension plans; the impact of environmental clean-up costs and other liabilities relating to existing and/or divested businesses; Vulcan's ability to secure and permit aggregates reserves in strategically located areas; the effect of changes in tax laws, guidance and interpretations, including those related to the Tax Cuts and Jobs Act that was enacted on December 22, 2017; Vulcan's ability to manage and successfully integrate acquisitions; significant downturn in the construction industry may result in the impairment of goodwill or long-lived assets; changes in technologies, which could disrupt the way we do business and how our products are distributed; and other assumptions, risks and uncertainties detailed from time to time in the reports filed by Vulcan with the SEC. All forward-looking statements in this communication are qualified in their entirety by this cautionary statement. Vulcan disclaims and does not undertake any obligation to update or revise any forward-looking statement in this document except as required by law.

# EXECUTIVE SUMMARY

## Our Mission

- Provide quality products and service; foster the safety, skills and development of our people; protect the environment; create superior, sustainable value for our shareholders

### Vulcan Materials Overview

Positioned for long-term, sustainable growth in shareholder value

### Corporate Governance

Strong, independent Board with the experience and diversity to ensure shareholders' interests are being served

### Environmental Stewardship

Protection of the environment is a core value embedded in Vulcan's business, strategy and governance structure

### Social Responsibility

Deep commitment to the communities we serve and the safety, professional growth and well-being of our employees

# COMPELLING VALUE PROPOSITION

## ✓ **Leading Building Materials Business with Superior Aggregates Operations**

- Largest aggregates producer in the U.S.
- Favorable long-term growth prospects
- Largest reported proven and probable reserve base in the U.S.
- Industry-leading aggregates unit profitability from operational expertise and cost discipline, combined with pricing growth

---

## ✓ **Well-Positioned to Capitalize on Market Growth**

- 80% of the U.S. population growth from 2020 to 2030 is projected to occur in Vulcan-served states<sup>1</sup>
- Extremely well-positioned to further leverage fixed costs to sales, as we move forward
- Accelerating public sector demand; stable private sector trends
- State legislation and local ballot measures resulted in dramatic transportation funding growth in last three years: \$20 billion+ in 9 states comprising 75% of Vulcan revenue

---

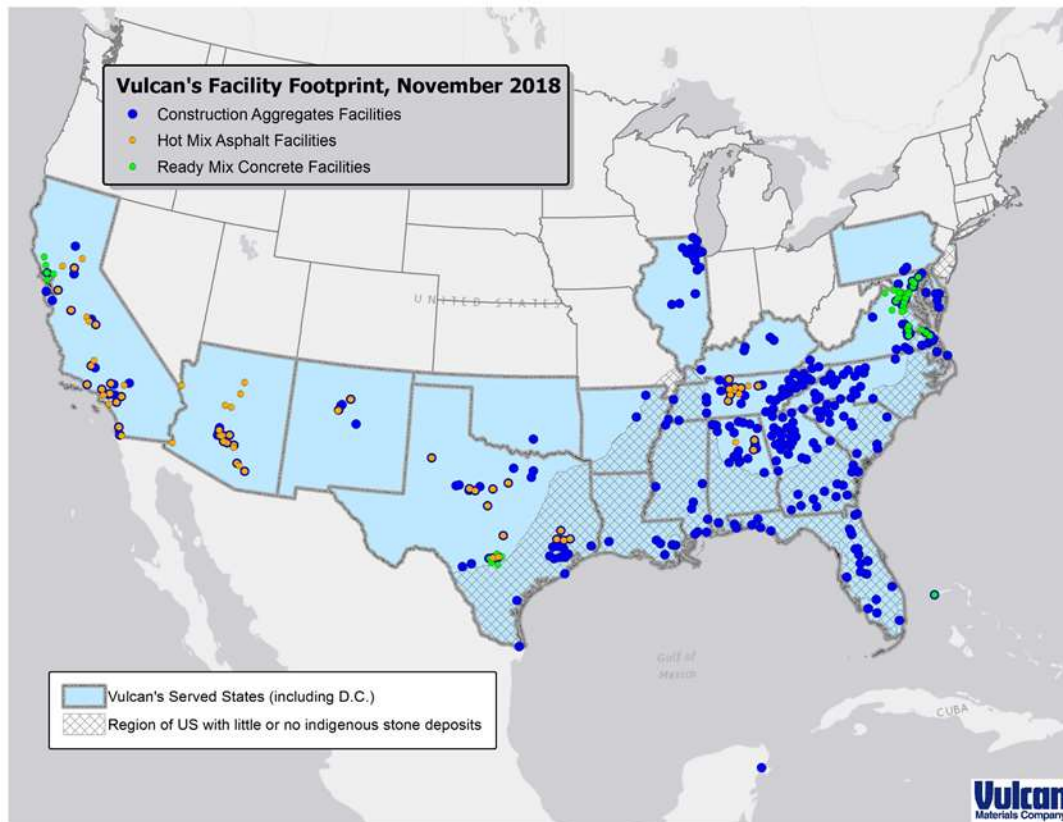
## ✓ **Solid Balance Sheet Enables Strategic Capital Allocation**

- Sustain capital reinvestment in our current asset base
- Commitment to investment-grade credit position
- Maximize the return of capital to shareholders
- Prudently pursue attractive bolt-on acquisitions

<sup>1</sup>Source: Moody's Analytics, October 2018

# VULCAN MATERIALS AT A GLANCE

## Leading Positions in Attractive Growth Markets

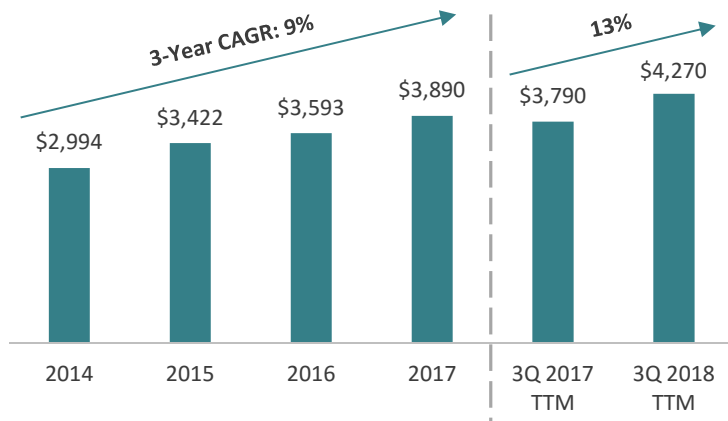


- Largest national producer of construction aggregates, primarily crushed stone, sand and gravel
- Leading national producer of hot-mix asphalt
- 8,500+ employees
- Operates 367 aggregates facilities, serving markets in 20 states, the District of Columbia, Mexico and the Bahamas
- Strong revenue growth and profitability

# STRONG PERFORMANCE

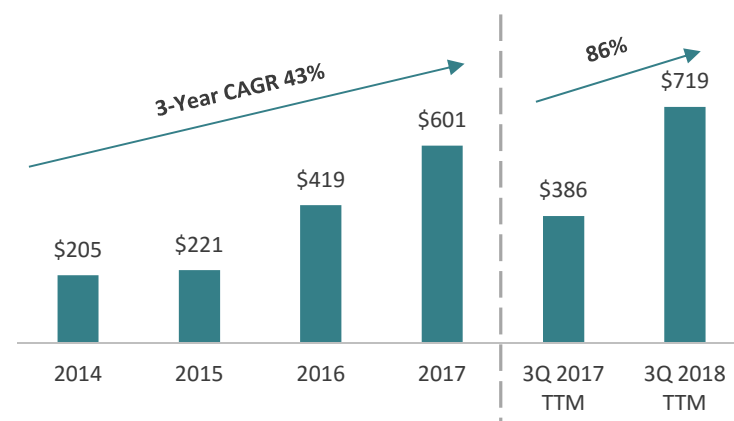
## TOTAL REVENUES

(In Millions)



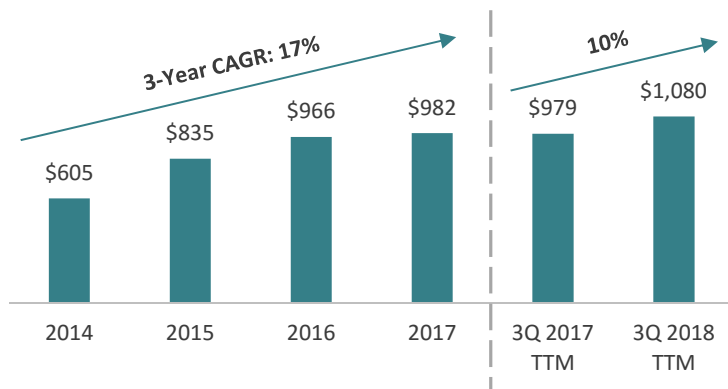
## NET EARNINGS

(In Millions)

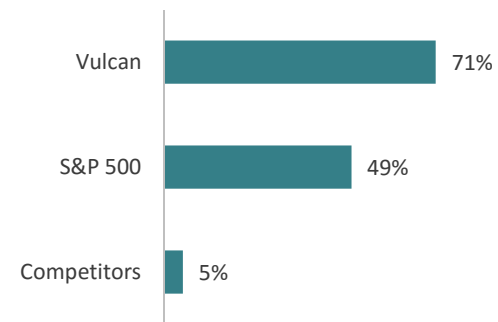


## ADJUSTED EBITDA

(In Millions)



## FIVE-YEAR CUMULATIVE TOTAL SHAREHOLDER RETURN



Competitors as noted in Vulcan's 10K. TSR assumes an initial investment as of 12/31/2013 in each stock/index, with quarterly reinvestment of dividends. TSR data sourced from Bloomberg.

# RECENT RESULTS IN LINE WITH LONGER-TERM TRENDS



Compounding  
improvement in  
profitability



Steady positive  
trend in aggregates  
demand



Strong pricing  
climate as  
multi-year  
construction  
recovery continues



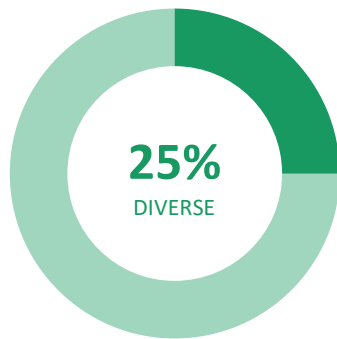
Growing public  
construction  
activity coupled  
with stable trends  
in private demand

# A STRONG AND BALANCED BOARD

## Board Composition<sup>1</sup>

- Strong, independent Board with diverse backgrounds, perspectives and experiences adds value for shareholders

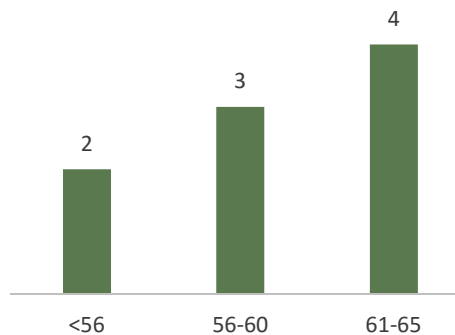
### DIVERSITY



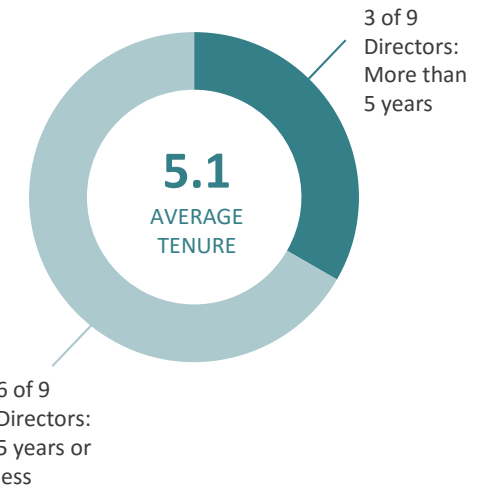
■ Diverse independent board members (based on gender)

### AGE<sup>2</sup>

**59.6**  
AVERAGE AGE



### TENURE<sup>2</sup>



**8 of 9 Independent**

<sup>1</sup> Kathleen Wilson-Thompson, EVP and Global Chief Human Resources Officer of Walgreens Boots Alliance Inc., served on the Company's Board from 2009 until December 28, 2018, when she submitted her resignation

<sup>2</sup> All figures as of 1/2/2019



# DEEPLY EXPERIENCED BOARD WITH DIVERSE SKILL SET



**Thomas A. Fanning**  
Director

Chairman, President and CEO of Southern Company

Valuable financial, cyber-security, risk management and health & safety skills

Joined Vulcan Board in 2015



**O.B. Grayson Hall, Jr.**  
Director

Former CEO and Chairman of Regions Financial Corporation

Strong banking, finance, capital markets and cybersecurity risk experience

Governance Committee Chair  
Joined Vulcan Board in 2014



**J. Thomas Hill**  
Chairman & CEO

Over 30 years' experience in the aggregates industry

Extensive aggregates operations and management expertise

Joined Vulcan Board in 2014



**Cynthia L. Hostetler**  
Director

Former head of Private Equity and VP of Investment Funds at Overseas Private Investment Corporation

Extensive financial, investment, audit and legal experience

Finance Committee Chair  
Joined Vulcan Board in 2014



**Richard T. O'Brien**  
Director

Former President and CEO of Newmont Mining

Extensive mining, financial, accounting and risk management experience

Audit Committee Chair  
Joined Vulcan Board in 2008



**James T. Prokopanko**  
Lead Director

Former President and CEO of The Mosaic Company

Extensive executive management and mineral extraction expertise

Compensation Committee Chair  
Joined Vulcan Board in 2009



**Kathleen L. Quirk**  
Director

Executive VP and CFO of Freeport-McMoRan Inc.

Strong finance and accounting background with over 30 years in the mining industry

Joined Vulcan Board in 2017



**David P. Steiner**  
Director

Former President and CEO of Waste Management, Inc.

Keen understanding of trucking and logistics management, legal, accounting and health and safety

Joined Vulcan Board in 2017



**Lee J. Styslinger, III**  
Director

Chairman and CEO of Altec, Inc.

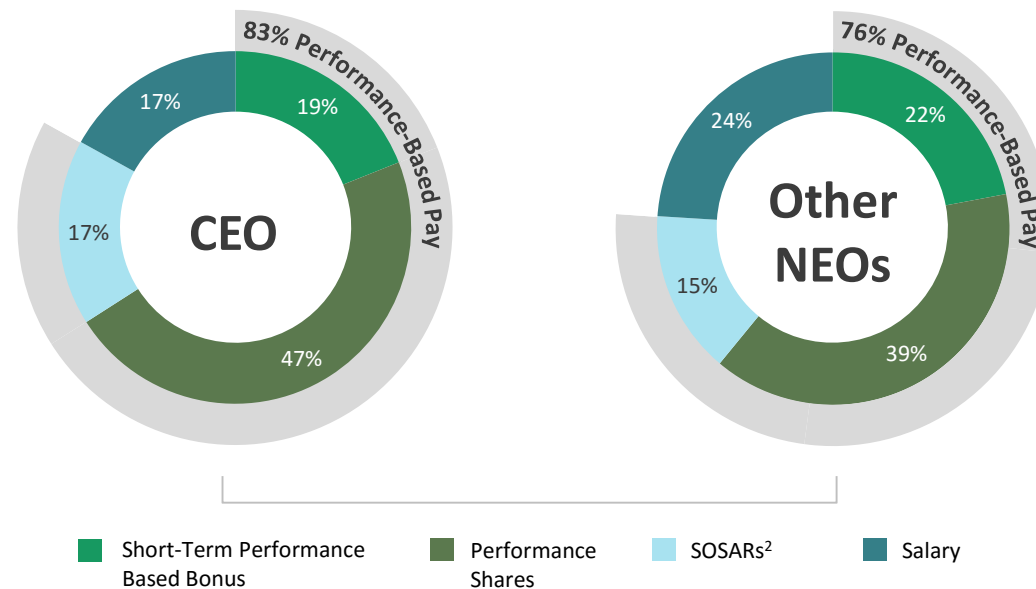
Wealth of management and business experience in the heavy equipment industry as well as finance, health and safety

Safety, Health and Environmental Affairs Committee Chair  
Joined Vulcan Board in 2013

# EXECUTIVE COMPENSATION FRAMEWORK

Designed to align executives' interest with those of shareholders

A substantial portion of our Named Executive Officers' (NEOs) compensation is dependent on company performance<sup>1</sup>



Over 98% of votes cast at 2018 Annual Meeting were in favor of the advisory vote to approve compensation of NEOs

Each business unit's bonus pool is adjusted as much as 25% of target based on measurable performance in safety, health and environmental areas

<sup>1</sup>2017 Figures

<sup>2</sup>Stock-only Stock Appreciation Rights

# VULCAN'S MISSION FOR ENVIRONMENTAL STEWARDSHIP

Strong environmental management drives long-term results

## Core Value

- Protecting the environment is the right social and business policy
- Reductions in our carbon footprint and operating costs enhance profitability and shareholder value
- Benefits relations with our communities, customers, regulators and employees and potential employees
- Mitigates against potential risks that could damage value

## Management Focus

- Environmental management receives senior level management focus
- Close oversight by the executive Safety, Health and Environment (SHE) Management Committee, and a key responsibility of Chief Administrative Officer

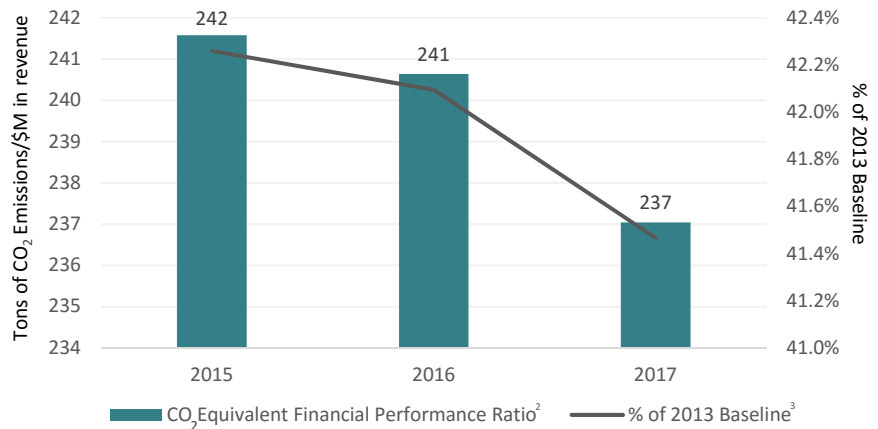
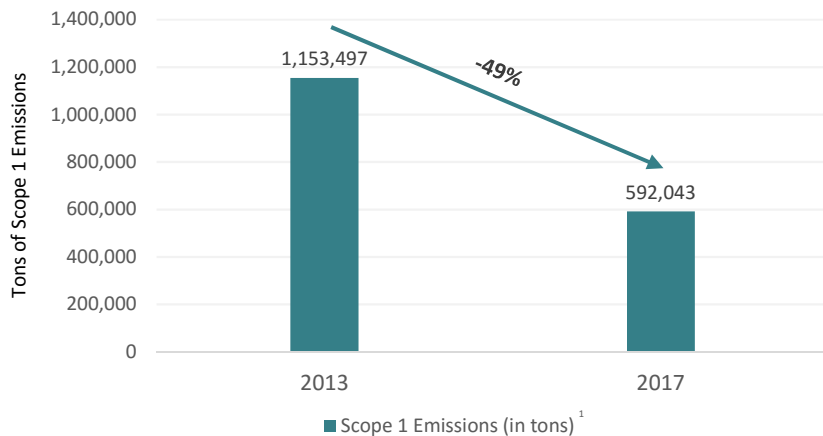
## Board Oversight

- Board reviews environmental and safety performance at every regular board meeting
- Board's Safety, Health and Environment (SHE) Committee regularly reviews our policies, practices and programs with respect to the management of safety, health and environmental affairs
- SHE Committee, composed of independent directors, monitors compliance with safety, health and environmental laws and regulations (as a minimum standard) and oversees operational risk

We see land use as a privilege granted to us by the community. Responsible, sustainable operations benefit our communities and shareholders.

# MANAGING GREENHOUSE GAS EMISSIONS

- Vulcan Materials is not a major source of GHG emissions; Operations are well below EPA thresholds for reporting and permitting GHG emissions
- Completed 2018 Carbon Disclosure Project submission
- CO<sub>2</sub> Equivalent Financial Performance ratio continues to decrease year over year



Introducing efficient processes decreases GHG emissions and allows Vulcan to extract, create, and deliver more product while decreasing costs and increasing value for our shareholders

<sup>1</sup>Scope 1 = Direct Emissions, less transportation and international operations

<sup>2</sup>CO<sub>2</sub> Equivalent Financial Performance Ratio = tons of CO<sub>2</sub> equivalent emissions / \$M in revenue

<sup>3</sup>2013 baseline of 571.65; Vulcan exited the cement business in 2013

# INVESTING IN EFFICIENT TRANSPORTATION

## Two New State-of-the-Art Ships for Gulf of Mexico Transportation

- ✓ Compliant with Energy Efficient Design Index (EEDI) standards
- ✓ Significantly more fuel efficient than prior fleet
- ✓ Scrubber systems eliminate SO<sub>2</sub> emissions and reduce particulate matter
- ✓ On-board water treatment systems treat ballast water



# RESPONSIBLE WATER MANAGEMENT

- Vulcan focuses on water re-use and recycling; closed-loop systems reduce usage and minimize wastewater discharge
- Unlike metals mines, there is no toxicity associated with by-products from Vulcan quarries – only rock dust and particles that can be reclaimed from settling ponds and re-blended into saleable materials
- Every site Vulcan operates has unique environmental traits that call for tailored, site-by-site stewardship strategies and operations



**McCook Quarry, Illinois**

On average, Vulcan uses up to 170,000 gallons of recycled water per day at its McCook facility.



**Stockbridge Quarry, Georgia**

Automated dust suppression valves and road sprinklers enhance the safety of Vulcan employees and their communities.

**Strong, sound management of water resources increases operational efficiency, reduces costs and mitigates against environmental risk**

# COMMITMENT TO ENVIRONMENTAL CONSERVATION

## Vulcan is committed to environmental conservation

- Citation-free environmental inspection rate of over 98%
- Over the last 10 years, Vulcan facilities and programs have received 58 awards and recognitions for environmental excellence and stewardship
- Nursery at Vulcan's Calica Quarry in Mexico produces more than 20,000 native plants and trees per year used for reforestation
- Vulcan repurposes land and water assets for valuable uses at the end of mining, including drinking water reservoirs, aquifer recharge basins and public parks
- More than 5,500 acres in conservation easements, along with extensive acres of buffer timberland maintained
- 44 Vulcan sites with national certification from the Wildlife Habitat Council (WHC)



**Bellwood Quarry, Georgia**

- Following the completion of mining, Bellwood Quarry was acquired by the City of Atlanta for a recreational facility and water reservoir with the capacity to hold 2 billion gallons of water



**Crystal Lake, Illinois**

- Sand and gravel operation was reclaimed and turned into a lake and recreation park facility for the community

Protecting, preserving, and restoring land

# RELENTLESS FOCUS ON SAFETY

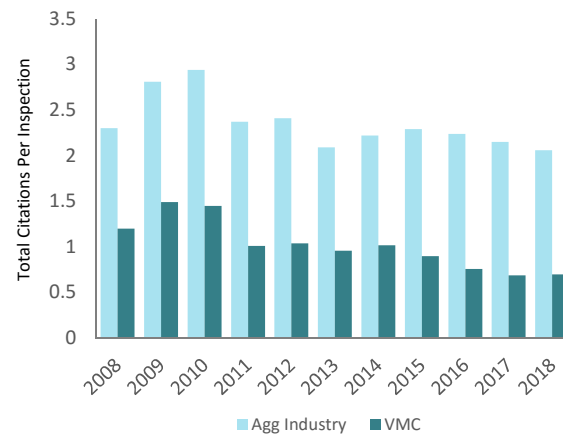
## World Class Performance

- Rate of less than 1 injury per 200,000 hours worked significantly outperforms Aggregates industry as well as many other industries
- Team approach to creating a workplace free of hazards
- In 2017, Vulcan employees received ~120,000 hours of dedicated Safety and Health training

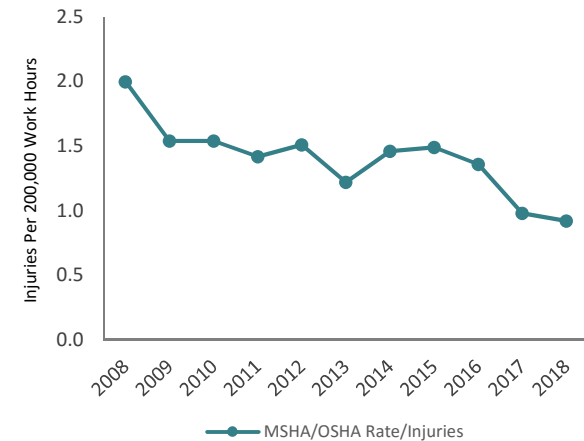
Vulcan's MSHA occupational injury rates have consistently been lower than the overall Aggregates industry<sup>1</sup>



MSHA citations issued per inspection at Vulcan operations are significantly lower than the Aggregates industry



Vulcan's MSHA/OSHA recordable injury rate has decreased significantly since 2008



94% of Vulcan facilities have had no lost-time injuries in past 12 months

<sup>1</sup>2018 aggregates industry data unavailable



# CORPORATE CULTURE IS DRIVEN BY “THE VULCAN WAY”

Do the right thing, the right way, at the right time



The Vulcan Way is comprised of the core values that define us

# INVESTMENT IN OUR EMPLOYEES

We invest in the growth and development of our employees

**~194,000**

Employee Training  
Hours in 2017

**5,000**

Hours of Leadership  
and Supervisory  
Training for 200  
Candidates in 2017

**92.9%**

Employee 401(k)  
Participation Rate

**400**

University Interns and  
Trainees Hired Since  
2015

## Five Traits Nurtured in Vulcan Leaders

### People & Values

Establishes a performance culture centered on developing diverse and dynamic leaders for our operating divisions and the Company as a whole

### Commercial

Earns full and fair value for products while positioning Vulcan as the market's supplier of choice

### Operations

Leads the market's safest and most efficient operations, delivering high-quality products on time through a culture of excellence

### Entrepreneurial & Strategic

Proactively executes on opportunities to improve Vulcan's competitive position, reserve base and customer service

### Financial

Helps build the long-term economic value of the Company

# STRONG EMPLOYEE ENGAGEMENT

Vulcan emphasizes open and positive work environment

## Vulcan's positive and healthy culture is evidenced by McKinsey & Company's Organization Health Index results<sup>1</sup>

**Overall Health  
Score in Top 10%**

- Organizational health is the best indicator of an organization's capacity to excel
- Companies with leading health scores deliver on average 3x greater TSR over time<sup>2</sup>

### Vulcan Demonstrated Outcomes and Effective Management Practices in Multiple Areas

#### SHARED VISION

- Vulcan has a clear strategic vision that is understood and shared by its employees

#### EFFECTIVE LEADERSHIP

- Vulcan's management models the values of the company and demonstrates supportive and challenging leadership

#### A GREAT PLACE TO WORK

- Vulcan's "family" work environment influences positive behaviors and encourages retention

Positive view of Vulcan's health runs throughout the organization

Source: McKinsey & Company's Organizational Health Index, June 2017

<sup>1</sup>The Organizational Health Index utilized by Vulcan in 2015 and again in 2017 is a proprietary survey conducted by McKinsey and Company that measures the extent to which habits and practices are recognized by employees. The results are benchmarked against over 5 million respondents representing 1,700 engagements. For more information see <https://www.mckinsey.com/solutions/orgsolutions/overview/organization-health-index>

<sup>2</sup>According to McKinsey & Company's Organizational Health Index

# FOCUS ON ENABLING THE GROWTH OF OUR PEOPLE

## Long-Term Employee Goals

- Continue to reinforce The Vulcan Way and our culture through:
  - Leadership
  - Visibility
  - Employee engagement
  - Training
  - Diversity & Inclusion initiatives
- Maintain best-in-class capabilities
- Promote top performance in safety, health and environmental stewardship
- Identify and build leadership skills across the organization
- Continue healthy lifestyle training and incentives

## Emphasis on Diversity

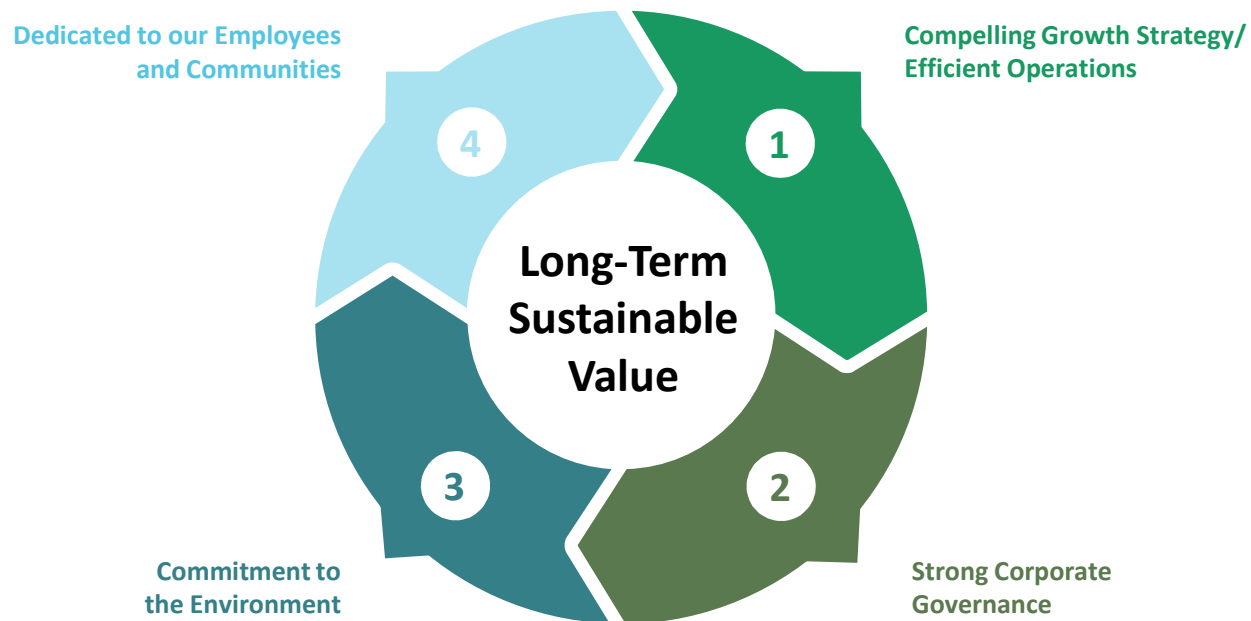
- Fostering an environment of diversity and inclusion enables Vulcan to attract, grow and retain the best talent
  - 34% of Vulcan hires in 2018 were diverse<sup>1</sup>
- Today:
  - 12% of Vulcan’s workforce is female
  - 28% of Vulcan’s workforce is diverse<sup>1</sup>
  - Recognized in 2018 as a “Women on Boards” winning company
- More than doubled number of diverse<sup>1</sup> Division and Corporate officers since 2013
- 28% of trainee program candidates are diverse<sup>1</sup>

<sup>1</sup>Diversity based on ethnicity and gender

# VULCAN BUILDING LONG-TERM SUSTAINABLE VALUE

## Our Mission

- Provide quality products and service; foster the talents and growth of our people; serve as responsible stewards to the environment; **and create superior, sustainable shareholder value**



**Vulcan**  
Materials Company