

## **NORTHWESTERN CORPORATION GOVERNANCE AND INNOVATION COMMITTEE CHARTER**

### **STRUCTURE AND PURPOSE**

The Governance and Innovation Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of NorthWestern Corporation (the “**Company**”) will consist of at least three members of the Board. Each member of the Committee will be “independent” from management of the Company as set forth in the Company’s Corporate Governance Guidelines and meet the standards of “independence” set forth in the rules and regulations of the Securities and Exchange Commission (the “**SEC**”) and in the listing standards of the New York Stock Exchange (the “**NYSE**”).

The Committee assists the Board in identifying qualified individuals to become Board members, in determining the composition of the Board and its committees, in monitoring a process to assess Board effectiveness, and in developing and implementing the Company’s corporate governance principles. Further, the Committee will review and oversee the Company’s position on (a) corporate social responsibilities and (b) public policy issues that significantly affect the Company, its stockholders, its customers and other key stakeholders, and the Committee will oversee the Company’s efforts concerning innovation, including emerging or competing technologies and alternative energy resources. The Committee also will assume and carry out all obligations of a “nominating and corporate governance committee” pursuant to the rules and regulations of the SEC and the listing requirements of the NYSE.

### **PROCEDURE**

The Committee will meet as often as is deemed necessary by its chairperson or by any two of its members. Participation in meetings by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other is permissible if done in compliance with the Company’s Bylaws. The chairperson, in consultation with the other members of the Committee and appropriate officers of the Company, will establish the agenda for each Committee meeting. The Committee will cause appropriate minutes to be prepared and preserved with respect to its proceedings and will report its actions to the next following meeting of the Board.

The Committee will have the authority to delegate any of its responsibilities to one or more sub-committees, as the Committee may deem appropriate in its sole discretion. The Committee also may recommend that its meeting be held with the Board as a whole.

The Committee may request any officer or other employee of the Company, or any representative of the Company’s legal counsel or other advisors, to attend a meeting or to meet with any members or representatives of the Committee. Any member may be excused from a meeting to permit the remaining members to act on any matter in which such member’s participation is not appropriate, and such member’s absence will not destroy the quorum for the meeting.

The Committee will have the authority to retain independent advisors. The Committee will also have appropriate resources and authority to discharge its responsibilities, including, without limitation, appropriate funding from the Company, in such amounts as the Committee deems necessary, to compensate any consultants or any other advisors retained

by the Committee. In the performance of its duties, the Committee and its members will have unrestricted access to management.

## **RESPONSIBILITIES**

The Committee's primary responsibilities are:

### *Nomination and Qualification of Board Members*

- Lead the search for individuals qualified to become members of the Board and to recommend to the Board the candidates the Committee proposes to be presented as Director nominees for stockholder approval at the annual meeting, and, in conjunction with the chairperson of the Board, to extend offers to such nominees to join the Board.
- Make recommendations to the Board regarding candidates the Committee proposes for election as members of the Board to fill vacancies on the Board caused by retirement, death, inability to serve, resignation or newly created directorships.
- Consider and make recommendations with respect to the resignation of any nominee for election in which the number of nominees does not exceed the number of vacancies who receives a greater number of votes "withheld" from his or her election than vote "for."

### *Corporate Governance*

- Review and make recommendations to the Board concerning the size of the Board.
- Review annually with the Board the appropriate skills and characteristics required of prospective Board members in light of the current composition of the Board, the competitive environment and strategic direction of the Company.
- Review the Board's committee structure and recommend to the Board for its approval Directors to serve as members and chairpersons of each committee. The Committee will review and recommend committee membership annually and will recommend additional committee members to fill vacancies as needed. The Committee will consider rotating committee members and chairpersons periodically, in order to expose Directors to the varied aspects of the business of the Company.
- Develop and recommend to the Board for its approval a set of Corporate Governance Guidelines. The Committee will review the Corporate Governance Guidelines on an annual basis, or more frequently if appropriate, and recommend changes as necessary.
- Consider and, if the Committee deems appropriate, approve the service of a Director on more boards than contemplated by the Company's Corporate Governance Guidelines.
- Review and recommend to the Board any changes to the Company's stock ownership guidelines for officers.
- Advise the members of the Board about continuing education on subjects that would assist them in discharging their duties, including leading-edge corporate governance issues.

### *Oversight of Public Policy*

- Consider the manner in which the Company conducts its public policy and government relations activities.
- Review the Company's support of charitable, educational and business organizations.
- Review the Company's policies on environmental, health and safety matters.

### *Innovation*

- Oversee and evaluate the Company's strategy and efforts to identify and address innovation risks and opportunities in the utility industry and adjacent industries arising from emerging or competing technologies and alternative energy sources, including changes in business conditions or new business models.
- Review and discuss existing or future issues or trends concerning innovation and technology applicable to the Company, its strategic plans, the utility industry, and adjacent industries.
- Monitor the performance of the Company's technology development and innovation in support of its overall business strategy.

### *General*

- Develop and recommend to the Board for its approval and oversee an annual self-assessment process of the Board and its committees and report thereon to the Board.
- Conduct an annual review of its own performance against the requirements of this Charter and report the results of this self-evaluation to the Board.
- Conduct an annual review of this Charter, recommending such changes to the Board as the Committee deems appropriate.
- Undertake such other duties or responsibilities as may be delegated to the Committee by the Board from time to time.

## **DIRECTOR QUALIFICATION STANDARDS AND NOMINATIONS PROCESS**

1. *Identifying Nominees.* The Committee will identify candidates to propose for election to the Board at the annual meeting of the stockholders or to fill any vacancies on the Board using a variety of means as it determines are necessary or appropriate, including recommendations of stockholders made in accordance with this process. The Committee also may solicit recommendations from current Directors, management or others who may be familiar with qualified candidates, and may consider current Directors for re-nomination. The Committee will have the sole authority to retain any search firm to assist in the identification of Director candidates, including sole authority to approve the search firm's fees and other retention terms, and to terminate the search firm.

2. *Stockholder Recommendations.* The Committee will consider candidates recommended for inclusion in the Board's slate of Directors by stockholders of the Company who comply with the procedures set forth in the Company's Bylaws ("**Qualified Stockholders**") unless nominations to the Board by stockholders are prohibited by applicable law. Qualified

Stockholders may make such a recommendation by submitting a completed Director Nomination Form, attached as *Schedule A* hereto. Completed Director Nomination Forms will be sent to:

Governance and Innovation Committee  
c/o Corporate Secretary  
NorthWestern Corporation  
3010 W. 69<sup>th</sup> Street  
Sioux Falls, South Dakota 57108

3. *Skills and Qualifications.* The Committee believes there are certain minimum skills and qualifications that each Director nominee candidate must possess or satisfy, and certain other skills and qualifications that at least one or more Directors must possess or satisfy. In considering candidates for Director nominee, the Committee will take into account whether a candidate has the skills, experience and background that add to and complement the range of skills, experience and background of existing Directors. The characteristics for Director nominees are those set forth below:

(a) *Character and Integrity.* A Director should be an individual who has strength of character and integrity demonstrated through consistent values of high ethical awareness, honesty, fairness, courage and trustworthiness. A Director should be an ethical steward who, through his or her competencies and conscience, monitors the conduct and positively influences the long-term strategic direction of the Company.

(b) *Accomplishments.* Each Director nominee will have demonstrated significant achievement in business, finance, government, education, law, technology or other fields important to the operation of the Company.

(c) *Business Judgment and Knowledge.* A Director should have the ability to assess the Company's strategy, business plan and key issues and to evaluate the performance of management. Directors should be aware of the legal framework governing corporations, sensitive to the public and social responsibilities of corporations, and alert to changing business conditions, technologies, markets, trends and opportunities. A Director should have not only good judgment to act according to what is right, but be able to exercise that judgment in ways that are both supportive of and challenging to the Company.

(d) *Experience.* Each Director nominee will have sufficiently broad experience and professional and educational background to have a general appreciation of the major issues facing public companies of a size and scope similar to the Company. Such issues include corporate governance issues, regulatory obligations of a public issuer and strategic business planning. A Director should be or have been actively employed in a senior management capacity or equivalent responsibilities in his or her respective field of endeavor.

(e) *Commitment.* Each Director nominee must have the willingness and ability to devote the necessary time to Board duties, including preparing for and attending meetings of the Board and its committees.

(f) *Representing Stockholders.* Each Director nominee must be prepared to represent the best interests of the Company and its stockholders, while giving consideration to the interests of the Company's customers.

(g) *Industry Knowledge.* At least some of the Directors must have experience and knowledge of the industry sector in which the Company operates its business. A Director should have a high level of competence and a willingness to learn the Company's business.

A Director should have the wisdom, courage and ability to advise and challenge top management.

(h) *Independence*. All Directors, with the exception of the Company's President and Chief Executive Officer, must be "independent" Directors in accordance with the Company's Corporate Governance Guidelines, which is a more stringent requirement than the listing standards of the NYSE, which require only that a majority of all Directors be independent. At least three Directors must meet the additional independence requirements for members of the Audit Committee of the Board in accordance with the applicable rules and regulations of the SEC and the listing standards of the NYSE. In addition, at least three Directors also must qualify as a "non-employee director" as defined for purposes of Section 16 of the Exchange Act and as an "outside director" for purposes of Section 162(m) of the Internal Revenue Code to meet independence requirements for service on the Human Resources Committee. Director nominees will be independent to the extent necessary to satisfy such requirements.

(i) *Financial Literacy*. Each Director should have the ability to evaluate the Company's financial and operating reports and to provide meaningful analysis of the Company's financial position. At least three Directors who are eligible to serve on the Audit Committee of the Board will be capable of reading and understanding financial statements. In addition, at least one Director who is eligible to serve on the Audit Committee of the Board will be an "audit committee financial expert" in accordance with applicable rules of the SEC, and have experience or background resulting in "financial sophistication" as determined by the Board in its business judgment.

(j) *Support of Company Philosophy*. Each Director should be fully committed to assisting in the development and support of the strategic direction and future of the Company.

(k) *Conflicting Interests*. Each Director must carefully examine any relationships that could call into question his or her loyalty to the Company and to the interests of all stockholders and govern himself or herself accordingly.

(l) *Ability to Work Harmoniously with the CEO and Other Directors*. Each Director should possess interpersonal skills and personal discipline to work with the CEO and other Directors as a unit, demonstrating an appreciation of individual uniqueness while striving cooperatively for a common and higher goal.

4. *Evaluation*. The Committee will evaluate each candidate to determine whether such candidate should be recommended to the Board as a Director nominee.

(a) *Qualifications*. The Committee will assemble all information regarding a candidate's background and qualifications to determine if the candidate possesses or satisfies the minimum skills and qualifications that a Director nominee must possess or satisfy or that one or more members of the Board must possess or satisfy.

(b) *Board Contribution*. The Committee will evaluate a candidate's mix of skills and qualifications and determine the contribution the candidate could be expected to make to the overall functioning of the Board.

(c) *Board Composition*. The Committee will give due consideration to the overall Board balance of diversity of perspectives, backgrounds and experiences.

(d) *Past Performance*. With respect to current Directors, the Committee will consider past attendance at meetings and assess the participation in and contributions to the activities of the Board.

(e) *Interviews and Other Input.* The Committee, in its discretion, may designate one or more of its members to interview any candidate. In addition, the Committee may seek input from the Company's CEO or other members of the Company's management or the Board, who may, in their discretion, interview any candidate.

(f) *Stockholder Recommendations.* The manner in which the Committee evaluates candidates recommended by Qualified Stockholders is generally the same as candidates from other sources. However, the Committee will also seek and consider information concerning the relationship between the Qualified Stockholder and the candidate to determine if the candidate can represent the interests of all of the stockholders. The Committee will not evaluate a candidate recommended by a Qualified Stockholder candidate unless the Director Nomination Form provides that the potential candidate has indicated a willingness to serve as a Director, to comply with the expectations and requirements for Board service publicly disclosed by the Company and to provide all of the information required to conduct an evaluation.

5. *Recommending Nominees.* The Committee will recommend Director nominees to the Board based on its assessment of overall suitability to serve on the Board in accordance with this process.

6. *Majority Vote Policy.* In accordance with the Company's Corporate Governance Guidelines, in the event that in an election in which the number of nominees does not exceed the number of vacancies any nominee for Director who receives a greater number of votes "withheld" from his or her election than votes "for" such election (a "Majority Withheld Vote") tenders his or her resignation following certification of the stockholder vote, the Committee will promptly consider the resignation offer and a range of possible responses based on the circumstances that led to the Majority Withheld Vote, if known, and make a recommendation to the Board.

**Schedule A**  
**NorthWestern Corporation Director Nomination Form**

Date of Submission:

Name of Stockholder:

Number and Class of Shares Held by the Stockholder:

*Note: If the shares are not held in the stockholder's name, evidence that the stockholder is the beneficial owner of the shares must be provided.*

Has the Candidate agreed to have his/her name submitted for consideration and to provide the Governance and Innovation Committee all information needed to conduct its evaluation?

Has the Candidate agreed to abide by all of the requirements for membership on the Board of Directors set forth in the Bylaws, the Corporate Governance Guidelines and the Governance and Innovation Committee Charter?

Name of Candidate the Stockholder wants the Governance and Innovation Committee to consider:

Candidate's Contact Information:

Mailing Address:

E-mail address:

Phone Number(s):

Please attach a recent and current biography/resume of the Candidate, outlining (at a minimum), the following information:

- (A) the name, age, business address and residence address of the Candidate,

- (B) the principal occupation or employment of the Candidate,
- (C) the class or series and number of shares of capital stock of NorthWestern Corporation that are owned beneficially or of record by the Candidate, and
- (D) any other information relating to the Candidate that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of Directors pursuant to Section 14 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder.

The biography/resume also should include discussion of the Candidate's educational history, work history, awards and accomplishments, past experience as a board member, leadership experience, business experience, any financial training or experience, current boards on which the Candidate serves (include public and private boards of directors as well as charitable organizations, and including a description of the business of each such organization), the Candidate's date of birth and citizenship.

Please describe why the Stockholder believes the Candidate should be elected as a Director of NorthWestern Corporation:

Please describe in detail all past and current relationships between the Candidate and the Stockholder, including any family relationship, any business relationship, any employment relationship, any charitable relationship, any investment relationship, etc.

Signature of Stockholder:

Date: