

## **NORTHWESTERN CORPORATION HUMAN RESOURCES COMMITTEE CHARTER**

### **STRUCTURE AND PURPOSE**

The Human Resources 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, the applicable standards 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**”). Each member also will qualify as a “non-employee director” as defined for purposes of Section 16 of the Securities Exchange Act of 1934 and as an “outside director” for purposes of Section 162(m) of the Internal Revenue Code.

The Committee acts on behalf of and with the concurrence of the Board with respect to matters relating to compensation, benefits and other personnel plans for executives; stock-based compensation plans for employees generally; the election and appointment of executive officers and other officers; the assessment of the performance of the Chief Executive Officer (the “**CEO**”); and the compensation of non-employee members of the Board. The Committee will assume and carry out all obligations of a compensation committee pursuant to the rules and regulations of the SEC and the listing requirements of NYSE.

### **PROCEDURE**

The Committee will meet as often as is deemed necessary by its chairperson or by two of its members. Participation in meetings by means of conference telephone or similar communications equipment by 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 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 individual whose performance or compensation is to be discussed at a Committee meeting should not attend such meeting unless specifically invited by the Committee. Notwithstanding the foregoing, the CEO may not be present while the Committee is voting on or discussing the CEO’s compensation. 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 legal counsel and other advisors and will have the sole authority to retain and terminate compensation consultants to assist in the evaluation of Director or executive officer compensation and the sole authority to approve the fees and other retention terms of such compensation consultants. The Committee also will 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 reasonably compensate any consultants or other advisors retained by the Committee. In the performance of its duties, the Committee and its members will have unrestricted access to management. Before selecting any

compensation adviser, the Committee will take into consideration the following factors for the assessment of independence and conflict of interest:

1. The provision of other services to the Company by the firm employing the adviser.
2. The amount of fees paid by the Company to the firm that employs the adviser, as a percentage of the firm's total revenues.
3. The policies or procedures of the firm employing the adviser that are designed to prevent conflicts of interest.
4. Any business or personal relationship of the adviser with a member of the Human Resources Committee.
5. Any stock of the Company owned by the adviser.
6. Any business or personal relationships between the executive officers of the Company and the adviser or the firm employing the adviser.

## **RESPONSIBILITIES**

The Committee's primary responsibilities are:

### *Oversight of Executive Compensation and Succession Planning*

- Review and approve the Company's compensation philosophy.
- Annually review and recommend to the Board compensation and incentive programs for senior management, and review and recommend to the Board policies relating to perquisites for executive officers.
- Develop, negotiate and recommend to the Board any employment agreements for the CEO and senior management, including new hires.
- Oversee regulatory compliance with respect to compensation matters and oversee the Company's policies towards Section 162(m) of the Internal Revenue Code.
- Review and approve performance goals and objectives for the CEO and conduct an annual assessment of the CEO's performance relative to such goals and objectives, reporting the findings to the CEO and the Board.
- Periodically report to the Board on succession planning, including principles and policies for CEO selection and performance and review, as well as policies regarding succession in the event of an emergency or the retirement of the CEO. Review the Company's management and the steps being taken to assure the long-range planning for executive development and succession of qualified leadership.
- Review and recommend adoption of any Company policies concerning the recovery (clawback) of incentive-based compensation that are required under applicable rules and regulations adopted by the SEC.
- Keep abreast of current developments in executive compensation practices outside the Company.

### *Oversight of Companywide Benefit and Stock-based Compensation Plans*

- Evaluate and make recommendations to the Board concerning any proposed new employee benefit plans.

- Evaluate and take such actions as appropriate with regard to material changes to existing employee benefit plans.
- Review and recommend to the Board any stock-based compensation plans, including all grants of restricted shares, stock options or other equity awards, subject to the terms and conditions of the applicable plan. The Committee will administer any Board-approved stock-based compensation plans and have the authority to approve the acquisition by the Company of shares, options or other equity awards from any plan participant.

### *Proxy Statement*

- Review and discuss with management the Compensation Discussion and Analysis (“**CD&A**”) and determine whether to recommend to the Board the CD&A to be included in the Proxy Statement or Annual Report on Form 10-K.
- Provide, over the names of its members, the Compensation Committee Report for the Company’s Proxy Statement or Annual Report on Form 10-K, and prepare and/or review the disclosure regarding Compensation Committee Interlocks and Insider Participation in the Company’s Proxy Statement or Annual Report on Form 10-K.
- Review, discuss with management, and determine whether to recommend to the Board the resolutions concerning say-on-pay, say-when-on-pay and golden parachute arrangements required by SEC rules to be included in the Proxy Statement and voted on by stockholders.

### *General*

- In conjunction with the CEO, recommend to the Board the executive officers and other officers proposed to be elected and appointed.
- Annually review and recommend to the Board any proposed changes to the compensation for non-employee Board members.
- Retain such advice and assistance from internal or external advisors as required for the performance of the Committee’s duties.
- Conduct an annual review of this Charter, recommending such changes to the Board as the Committee deems appropriate.
- Review and approve the Charter for the Company’s Employee Benefits Administration Committee as recommended by management.
- 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.
- Such other duties as delegated by the Board.