

## **NORTHWESTERN CORPORATION CORPORATE GOVERNANCE GUIDELINES**

The Board of Directors (the “**Board**”) of NorthWestern Corporation (the “**Company**”) has adopted the Corporate Governance Guidelines set forth below. The Board, upon recommendation of the Nominating and Governance Committee (the, “**Governance Committee**”), will periodically assess the appropriateness of these Guidelines and make changes as may be necessary or desirable to ensure the effective and efficient governance of the Company.

### **ROLE OF THE BOARD OF DIRECTORS**

The primary responsibility of the Board is to provide effective governance over the affairs of the Company and to represent the interests of all of the Company’s stockholders, including their interest in optimizing financial returns and the value of the Company over the long term. The Board and its members have the primary responsibilities to serve as trustees for the investment of the stockholders, to provide direction to the total affairs of the Company that will ensure its development and growth in product services and financial results, and to provide for the quality, depth and continuity of management required to obtain the Company’s major strategic and operational objectives.

### **BOARD SIZE AND TERM**

The Board determines the number of Directors as permitted in the Company’s Bylaws and will periodically review the size of the Board based on recommendations of the Governance Committee. The Company’s Bylaws authorize that the Board shall consist of not less than five nor more than eleven Directors. The Board should have a sufficient number of Directors to reflect a substantial diversity of perspectives, backgrounds and experiences, but not so many Directors that the size of the Board hinders effective discussion or diminishes individual accountability. Each Director is elected annually to a one-year term.

### **SEPARATION OF CHAIR AND CHIEF EXECUTIVE OFFICER**

The Board has placed the responsibilities of Chair with an independent nonexecutive member of the Board.

### **BOARD COMPOSITION**

The Board, with the exception of the Company’s President and Chief Executive Officer, will be comprised of Directors who meet the criteria for “independence” (as defined below) required by the Nasdaq stock market (“**Nasdaq**”) (or, if not listed on such exchange, on any other national securities exchange on which the Company’s shares are listed). The Board will review the independence of each Director annually. The Governance Committee, consisting of independent Directors of the Company, is responsible for recommending to the Board, on an annual basis, a slate of persons to be nominated to the Board at the next annual meeting of stockholders. The Governance Committee also will make recommendations to the Board regarding candidates it 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 and will periodically review the composition of the Board and the status of individual Directors relative to term limits to ensure an effective succession plan.

The Governance Committee will select the nominees it proposes in accordance with the criteria set forth in the Governance Committee charter.

## **DIRECTOR INDEPENDENCE**

A Director will be considered independent if he or she (a) qualifies as “independent” under Nasdaq (or, if not listed on such exchange, on any other national securities exchange on which the Company’s shares are listed) standards and any applicable laws, and (b) has never been (i) an employee of the Company or any of its subsidiaries; (ii) is not a close relative of any management employee of the Company; (iii) provides no services to the Company, or is not employed by any firm providing major services to the Company, other than as a Director, and (iv) receives no compensation from the Company other than Director fees and benefits.

## **DIRECTOR QUALIFICATIONS**

In nominating new Directors, the Governance Committee should consider a broad diversity of individuals who can add value to the strategic policymaking and oversight responsibilities of the Board and provide skills and personal experiences that add to and complement the skills, experience and background of existing Directors and are needed to achieve the Company’s corporate objectives.

The Governance Committee Charter details the qualifications the Governance Committee should consider for each new Director candidate.

## **DIRECTOR RESPONSIBILITIES**

The basic responsibility of the Directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its stockholders. In discharging that obligation, Directors may reasonably rely on information provided by the Company’s senior executives and its outside advisors and auditors.

Directors are expected to attend annual meetings of stockholders, Board meetings and meetings of committees on which they serve, and they are frequently called upon for advice and counsel between formal meetings. Information and data that are important to the Board’s understanding of the business to be conducted at a Board or committee meeting will generally be distributed in writing to the Directors before the meeting, and Directors should review these materials in advance of the meeting. Each Director is encouraged and expected to ask questions of and raise issues with management to ensure the conduct of careful and cautious oversight.

## **DIRECTOR ACCESS TO MANAGEMENT AND INDEPENDENT ADVISORS**

Directors will have full and free access to management of the Company. The Directors will work cooperatively with management to ensure that any such contact is not disruptive to the business operations of the Company. The Board and its committees have the right to retain independent counsel, accountants or other advisors to fulfill their responsibilities.

## **DIRECTOR COMPENSATION**

The Human Resources Committee will annually review the form and amount of Director compensation, and recommend to the Board for final approval such form and amount of Director Compensation. The Board’s philosophy is that a portion of Director compensation be equity based, and the Board shall maintain minimum stock ownership guidelines for Directors.

## **DIRECTOR ORIENTATION AND CONTINUING EDUCATION**

The Board and management will conduct a comprehensive orientation process for new Directors to become familiar with the Company's vision, strategic direction, core values including its Code of Conduct and Ethics, financial matters, corporate governance practices and other key policies and practices through a review of background material, meetings with senior management and visits to Company facilities. The Board also recognizes the importance of continuing education for its Directors and is committed to provide such education in order to improve both Board and committee performance. The Board acknowledges that Director continuing education may be provided in a variety of different forms including external or internal education programs, presentations or briefings on particular topics, educational materials, meetings with key management and visits to the Company's facilities. It is the responsibility of the Governance Committee to advise the Directors about their continuing education on subjects that would assist them in discharging their duties, including leading-edge corporate governance issues. Directors are encouraged to attend, at the Company's expense, continuing education programs sponsored by educational and other institutions, subject to any continuing education guidelines the Governance Committee may adopt from time to time.

## **COMMITTEES OF THE BOARD**

The Board currently has four committees: the Audit Committee, the Governance Committee, the Safety, Environmental, Technology, and Operations Committee, and the Human Resources Committee. Members of these committees will meet the independence requirements of Nasdaq (or, if not listed on such exchange, on any other national securities exchange on which the Company's shares are listed) and any applicable requirements of the Securities and Exchange Commission. The charters of the Audit Committee, the Governance Committee, and the Human Resources Committee will meet the requirements of Nasdaq (or, if not listed on such exchange, on any other national securities exchange on which the Company's shares are listed) and any applicable requirements of the Securities and Exchange Commission. The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

## **ASSIGNMENT OF COMMITTEE MEMBERS**

The Governance Committee is responsible for recommending to the Board the appointment of Directors as members and chairpersons of committees of the Board. The Governance Committee shall consider rotating committee members and chairpersons periodically, in order to expose Directors to the varied aspects of the business of the Company.

## **BOARD MEETING AGENDAS**

Company management will work with the chairperson to establish the agenda for each Board meeting. Each Director may suggest the inclusion of items on the agenda. Each Director may raise at any Board meeting subjects that are not on the agenda for that meeting. The Board will review the Company's long-term strategic plans and the principal issues that the Company will face in the future during at least one Board meeting each year.

## **COMMITTEE MEETING AGENDAS**

The chairperson of each committee, in consultation with the other committee members and appropriate officers of the Company, will establish the agenda for each

meeting of such committee. Directors are encouraged to suggest topics for inclusion on the agendas.

## **EXECUTIVE SESSIONS**

The non-management Directors will meet in executive session at least twice each calendar year without members of management present. In the event that the non-management Directors of the Board include individuals who are not "independent" under the rules of Nasdaq (or, if not listed on such exchange, on any other national securities exchange on which the Company's shares are listed), the independent Directors shall meet at least annually without such non-independent, non-management Directors or any management Directors present. Any Director may request an executive session at any Board meeting.

## **ANNUAL PERFORMANCE EVALUATION OF THE BOARD AND COMMITTEES**

An annual self-evaluation will be performed to determine whether the Board and committees are functioning effectively. The Governance Committee will receive comments from all Directors and report to the Board the results of the self-evaluation. The Board and each committee will discuss their individual results at their meetings and focus on areas in which the Board and/or committees could improve.

## **CRITERIA FOR CONTINUED BOARD MEMBERSHIP**

### *Service on Other Boards*

Directors may serve on other boards, *provided* that such service does not conflict with their service on the Company's Board, and are expected to inform the Governance Committee before accepting a position on another public company board. If the Director is actively employed, he or she should not serve on more than three other boards of public companies (excluding subsidiaries of the Company) in addition to the Company's Board, and if the Director is retired, he or she should not serve on more than five other boards of public companies in addition to the Company's Board unless such service is approved by the Governance Committee.

### *Term Limits*

A Non-employee Director will not stand for re-election if he or she has completed 15 years of service on the Company's Board, unless the Board determines his or her continued service would be advantageous for the Company.

### *Majority Vote Policy*

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**") shall promptly tender his or her resignation following certification of the shareholder vote.

The Governance Committee shall 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. The Board will act on the Governance Committee's recommendation within 90 days following certification of the shareholder vote.

Thereafter, the Board will promptly disclose its decision-making process and decision regarding whether to accept the Director's resignation offer (or the reason(s) for rejecting the resignation offer, if applicable) in a Form 8-K furnished to the Securities and Exchange Commission.

Any Director who tenders his or her resignation pursuant to this provision shall not participate in the Governance Committee's recommendation or Board action regarding whether to accept the resignation offer.

However, if each member of the Governance Committee received a Majority Withheld Vote at the same election, then the independent Directors who did not receive a Majority Withheld Vote shall appoint a committee amongst themselves to consider the resignation offers and recommend to the Board whether to accept them.

However, if the only Directors who did not receive a Majority Withheld Vote in the same election constitute three or fewer Directors, all Directors may participate in the action regarding whether to accept the resignation offers.

## **STOCK OWNERSHIP GUIDELINES**

### *Non-employee Directors*

Within five years of beginning service on the Board (or becoming subject to a new stock ownership guideline) and thereafter, each non-employee Director is expected to retain common stock and/or deferred stock units with of value equivalent to at least five times his or her annual Board chair or Board member cash retainer (but not committee chair or committee member retainers).

### *Company Officers*

Officers are expected to meet and maintain a required stock ownership level as set forth in the table below. Any officer who has not met his or her expected stock ownership level will be restricted from selling stock, absent a hardship and Board approval.

<b>Position</b>	<b>Expected Stock Ownership Level (Multiple of Base Salary)</b>
CEO	6
President & COO	5
VP & CFO	4
VP & General Counsel	3
VP - Distribution	3
Other VPs	2
Chief Audit & Compliance Officer	1

## **ANNUAL PERFORMANCE EVALUATION OF THE CHIEF EXECUTIVE OFFICER**

The Chief Executive Officer's performance will be evaluated annually. The Board has delegated this responsibility to the Human Resources Committee. The Human Resources Committee will consult with the Board on the evaluation of the Chief Executive Officer.

## **MANAGEMENT SUCCESSION**

The Human Resources Committee will periodically report to the Board on succession planning, including principles and policies for the Chief Executive Officer selection and performance and review, as well as policies regarding succession in the event of an emergency or the retirement of the Chief Executive Officer.

There also will be available, on a continuing basis, the Chief Executive Officer's recommendation concerning who should assume the Chief Executive Officer's role in the event the Chief Executive Officer becomes unable to perform his or her duties.

## **CODE OF CONDUCT AND ETHICS**

The Company has adopted a Code of Conduct and Ethics ("**Code**") which applies to all Directors, Officers and Employees of the Company and its subsidiaries. The Audit Committee shall review the Code from time to time and recommend any proposed changes to the Board.

## **COMMUNICATIONS WITH DIRECTORS**

The Company's Board Chair or non-management Directors may be contacted in writing as follows:

NorthWestern Corporation  
c/o Corporate Secretary  
3010 W. 69<sup>th</sup> Street  
Sioux Falls, SD 57108

Complaints regarding accounting, internal accounting controls, or auditing matters may be submitted anonymously using the Company's Compliance Line at 1+ (877) 781-7286 or online at <https://www.integrity-helpline.com/NW.jsp>.