

NorthWestern Corporation Corporate Anti-Fraud Policy

I. Statement of Policy:

It is the policy of NorthWestern Corporation d/b/a NorthWestern Energy (the “Company”) to establish and facilitate a fraud risk management program that will aid in the detection and prevention of fraud and misappropriations against the Company.

II. Objective:

The objective of this policy is to promote ethical organizational behavior by providing guidelines and assigning responsibility for the development of the provisions and procedures that are used by the Company to detect and prevent fraud.

III. Scope:

This policy applies to any irregularity, or suspected irregularity, involving directors and employees as well as shareholders, consultants, vendors, contractors, outside agencies doing business with employees of such agencies, and/or any other parties with a business relationship with the Company.

Any investigation activity required will be conducted without regard to the individual’s length of service, position/title, or relationship to the Company.

Failure to comply with this policy will result in disciplinary action up to and including resignation or termination.

IV. Definitions:

- A. “Fraud” is any intentional act or omission designed to deceive others, resulting in the Company suffering a loss and/or the perpetrator achieving a gain. Actions constituting fraud refer, but are not limited, to:
- Misappropriation of funds, securities, supplies, or other assets.
 - Impropriety in the handling or reporting of money, payroll or financial transactions.
 - Disclosing confidential and proprietary information to outside parties for personal gain.
- B. “Fraud Risk Factors” are events, conditions, or conflicts of interest that may provide incentives or pressures to perpetrate fraud, opportunities to carry out fraud, or support attitudes and/or rationalizations to justify a fraudulent action.

V. Responsibilities:

Audit Committee

The Audit Committee is responsible to ensure that management designs effective fraud risk management documentation to encourage ethical behavior and to empower employees, customers, and vendors to insist those standards are met every day. The Audit Committee should:

- Understand fraud risks.
- Maintain oversight of the fraud risk assessment by ensuring that fraud risk has been considered as part of the organization’s risk assessment and strategic plans. This

responsibility should be addressed under a periodic agenda item at Audit Committee meetings when general risks to the organization are considered.

- Monitor management's reports on fraud risks, policies, and control activities, which include obtaining assurance that the controls are effective. The Audit Committee also should establish mechanisms to ensure it is receiving accurate and timely information from management, employees, internal and external auditors, and other stakeholders regarding potential fraud occurrences.
- Oversee the internal controls established by management.
- Set the appropriate tone at the top through the CEO job description, hiring, evaluation, and succession-planning processes.
- Provide external auditors with evidence regarding the Audit Committee's involvement and concern about fraud risk management.

Executive Management

Executive management has overall responsibility for the design and implementation of a fraud risk management program including:

- Setting the tone at the top for the rest of the organization. An organization's culture plays an important role in preventing, detecting, and deterring fraud. Management needs to create a culture through words and actions where it is clear that fraud is not tolerated, that any such behavior is dealt with swiftly and decisively, and that whistleblowers will not suffer retribution.
- Implementing adequate internal controls – including documenting fraud risk management policies and procedures and evaluating their effectiveness – aligned with the Company's fraud risk assessment.
- Reporting to the board on what actions have been taken to manage fraud risks and the effectiveness of the fraud risk management program. This includes reporting any remedial steps that are needed to improve the fraud risk management program. Actual findings(s) of fraud must be reported to the Company's external auditors and Audit Committee of the board.

The Vice President, General Counsel and Corporate Secretary is the Chief Compliance Officer.

Employees

Strong controls against fraud are the responsibility of everyone at the Company. All employees should:

- Have a basic understanding of fraud and be aware of fraud risk factors.
- Understand his or her role within the internal control framework. Employees should understand how their job procedures are designed to manage fraud risks and when noncompliance may create an opportunity for fraud to occur or go undetected.
- Read and understand policies and procedures (e.g., the Fraud Policy, and Code of Business Conduct and Ethics), as well as other operational policies and procedures, such as procurement policies.
- As required, participate in the process of creating a strong control environment and designing and implementing fraud control activities, as well as participate in monitoring activities.
- Report suspicions or incidences of fraud.
- Cooperate in investigations.

VI. Provisions:

General

- A. Management is responsible for the overall design and implementation of the fraud risk management program. On an annual basis the Company's management team performs a Fraud Risk Assessment and reports the findings to the Audit Committee of the board.
- B. Employees have a duty to report any suspected fraudulent activity using one of the options discussed below. The Company does not retaliate against employees who report a concern in good faith with a reasonable belief that fraud may have occurred against the Company. The Company will take appropriate action including disciplinary action against any employee(s) who intentionally provides false or malicious information.
- C. Any report of suspected fraudulent activity is investigated by the appropriate parties using the steps discussed below.
- D. Consequences and processes for those who commit or condone fraudulent activity may include termination of employment or of a contract and reporting to legal and regulatory authorities. The Company has the right to institute a civil action against anyone who commits fraud and to refer the matter to appropriate authorities for criminal prosecution.
- E. Internal Audit is responsible for assisting management in the evaluation of fraud risk factors, the development of anti-fraud controls, and the monitoring for compliance; as well as assisting in investigations and supporting the Audit Committee in performing detective activities around the risk of management override of controls.
- F. The Vice President, General Counsel and Corporate Secretary is responsible for the administration, revision, interpretation, and application of this policy. The policy will be reviewed annually by the Audit Committee of the board and revised as needed.

Reporting of Fraudulent Activity

- A. Employees should report any suspected fraudulent activity to one or more of the following: the Law Department, Internal Audit Department, the Company Compliance Line 1 + (877) 781-7286, or to the Chief Compliance Officer.
- B. In addition, anyone who has concerns or wishes advice about whether an activity is fraudulent, may make an inquiry about such activity to the Company's Compliance Line or Compliance web site, Chief Compliance Officer, Law Department, Internal Audit Department, or a supervisor.
- C. All reports of suspected fraudulent activities or inquiries received will be referred to the Chief Compliance Officer.

Investigation of Fraudulent Activity

- A. The Chief Compliance Officer will promptly review the suspected fraudulent activity or inquiry, and assign an investigator to make such inquiry or investigation believed to be necessary to determine the relevant facts, and will confer with legal counsel to determine whether the reported activity or inquired activity is indeed an act of fraud. Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is underway.

- All employees have an obligation to cooperate with the review of any reported activities or inquiries and maintain confidentiality.
- Where an act of fraud has occurred, the Chief Compliance Officer will take appropriate steps, with the relevant functional officer, as appropriate, and Human Resources staff, regarding disciplinary action.
- Where an inquiry has been made, the Chief Compliance Officer will issue a written advisory to such person as to whether or not the activity is fraudulent.
- Employees, who are normally involved with the investigation process, will not be involved, if the suspected fraudulent activity or inquiry involves them.
- The Chief Compliance Officer will consult with outside legal counsel when appropriate.

Any action taken should be appropriate under the unique circumstances of each specific instance, applied consistently to all levels of employees, including senior management, and will be taken only after consultation with legal counsel.

Possible actions include one or more of the following:

- Criminal referral – The Company may refer the case to law enforcement voluntarily, and, in some cases, it will be required to do so. Law enforcement has access to additional information and resources that may aid the case. Additionally, referrals for criminal prosecution may increase the deterrent effect of the Company's fraud prevention policy. The Vice President, General Counsel and Corporate Secretary, in consultation with the Vice President and Chief Financial Officer, is authorized to make the decision as to whether pursuing criminal prosecution is appropriate.
- Civil action – The Company may wish to pursue its own civil action against the perpetrators to recover funds.
- Disciplinary action – Internal disciplinary action may include termination, suspension (with or without pay,) demotion, or warnings.
- Insurance claim – The Company may pursue an insurance claim for some or all of its losses.
- Extended investigation – Conducting a root cause analysis and performing an extended investigation may identify similar misconduct elsewhere at the Company.
- Business process remediation – The Company may re-engineer its business processes cost-effectively to reduce or remove the opportunity for similar frauds in the future.
- Internal control remediation – The Company may enhance certain internal controls to reduce the risk of similar frauds going undetected in the future. Internal auditors are important resources for this activity.

- B. In determining whether an act of fraud has occurred or in issuing an advisory response to an inquiry confidential treatment by anyone involved or aware is paramount. The Chief Compliance Officer and investigator will treat all reports of suspected fraudulent activity or inquiries as confidential to the extent possible, as allowed by law, and subject to the confidentiality protections contained in the Company's Complaint Procedures regarding Auditing and Accounting matters under "Complaints By Employees."

Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. Generally, the Audit Committee of the board, the executive management team and the immediate supervisors of the individual under investigation will be informed of the investigation results. Limiting dissemination of the investigation results is important to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the Company from potential civil liability.