

NorthWestern Corporation Related Persons Transactions Policy

A. Policy Statement

NorthWestern Corporation (the “**Company**”) recognizes that Related Person Transactions (as defined below) present a heightened risk of conflicts of interest and improper valuation or can create the appearance that corporate decisions are based on considerations other than the best interests of the Company. Nevertheless, the Company recognizes that there may be situations where a Related Person Transaction may be in, or may not be inconsistent with, the best interests of the Company. Therefore, it is the Company’s policy to enter into or ratify Related Person Transactions only when the Board of Directors, acting through the Audit Committee (the “**Audit Committee**”) or as otherwise described herein, determines that the Related Person Transaction in question is in, or is not inconsistent with, the best interests of the Company and its stockholders. Therefore, the Company has adopted the procedures set forth below for the review, approval or ratification of all Related Person Transactions. This policy has been approved by the Audit Committee. The purpose of this policy is to supplement, rather than displace, existing approval processes for Company transactions. The Audit Committee will review and may amend this policy from time to time.

B. Related Person Transactions

1. **Related Person Transaction.** For purposes of this policy, a “**Related Person Transaction**” is a financial transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which (a) the aggregate amount involved is expected to exceed \$120,000 in any calendar year, (b) the Company (including any of its subsidiaries) was, is or will be a participant, and (c) any Related Person has, had or will have a direct or indirect material interest.

2. **Related Person.** For purposes of this policy, a “**Related Person**” is:

(a) Any person who is, or at any time since the beginning of the Company’s last fiscal year was, an executive officer,¹ director, or director nominee of the Company;

(b) A shareholder owning in excess of 5% of the Company’s stock (or its controlled affiliates);

(c) A person who is an immediate family member² of an executive officer, director or director nominee, or 5% shareholder of the Company’s stock (or its controlled affiliates); or

(d) An entity which is owned or controlled by someone listed in (a), (b) or (c) above, or an entity in which someone listed in (a), (b) or (c) above has a substantial ownership interest or control of such entity.

¹ An “**executive officer**” is an individual subject to reporting under Section 16 of the Exchange Act.

² An “**immediate family member**” means any child, stepchild, spouse, parent, stepparent, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, or any person (other than a tenant or an employee) sharing the household of such person.

3. Indirect Material Interest. The Company recognizes that the determination of whether an interest is or is not material depends heavily on the facts and circumstances of the particular interest. However, for purposes of this policy, a Related Person who has a position or relationship with a firm, corporation or other entity that engages in a transaction with the Company:

(a) shall not be deemed to have an “**indirect material interest**” in the transaction if:

- (i) the interest arises only from (A) such Related Person’s position as a director of such entity, (B) such Related Person’s direct or indirect ownership of less than 10% (when combined with the ownership of all other Related Persons) of the equity interests of such entity (other than a partnership) or (C) a combination of (A) and (B); or
- (ii) the interest arises only from such Related Person’s position as a limited partner in a partnership in which such Related Person and all other Related Persons have an interest of less than 10% in the aggregate and such Related Person is not a general partner of and does not hold another position in such partnership; and

(b) shall be deemed to have an “**indirect material interest**” in the transaction if:

- (i) such Related Person’s direct or indirect ownership is 10% or more (when combined with the ownership of all other Related Persons) of the equity interests of such entity (other than a partnership); or
- (ii) such Related Person is a general partner of such entity; or
- (iii) such Related Person is an executive officer (or similar position) of such entity.

4. Series of Similar Transactions. The Company recognizes that the determination of whether two or more transactions, arrangements or relationships shall be considered part of a “**series of similar**” transactions, arrangements or relationships depends heavily on the facts and circumstances of the particular transactions. However, for purposes of this policy, two or more transactions, arrangements or relationships shall be considered part of a “**series of similar**” transactions, arrangements or relationships if at the time of entering into the earlier of the two transactions, there is a written or oral agreement, understanding, plan or expectation that the other transaction will be entered into. By way of example, a contribution to an entity in one year of \$20,000 and a contribution to the same entity in the following year for \$20,000 would not be considered a “**series**” if in making the first contribution there was no agreement, understanding, plan or expectation to make the contribution in the following year.

C. Identification of Related Persons and Dissemination of Related Persons Master List

1. **Directors, Executive Officers and Nominees.** On an annual basis, each director and executive officer shall submit to the Company's Legal Department the following information:

(a) a list of his or her immediate family members (as defined above);

(b) for each person listed and, in the case of a director, for the director, the person's employer and job title or brief job description;

(c) for each person listed and for the director or executive officer, each firm, corporation or other entity in which such person is a partner or principal or in a similar position or in which such person has a 5% or greater beneficial ownership interest; and

(d) for each person listed and for the director or executive officer, each charitable or non-profit organization for which the person is actively involved in fundraising or otherwise serves as a director, trustee or in a similar capacity.

Any person nominated to stand for election as a director shall submit to the Company's Legal Department the information described above no later than the date of his or her nomination.

Any person who is appointed as a director or an executive officer shall submit to the Company's Legal Department the information described above prior to such person's appointment as a director or executive officer, except in the case of an executive officer where due to the circumstances it is not practicable to submit the information in advance, in which case such individual shall submit the information as soon as reasonably practicable following the appointment.

Directors and executive officers are expected to notify the Company's Legal Department of any updates to the list of Related Persons, their employment and relationships with charitable organizations. Generally this would include notification of the marriage of the director or executive officer, or the marriage of his or her sibling or child.

2. **Five Percent Owners.** At the time the Company becomes aware of a person's status as a beneficial owner of more than 5% of any class of the Company's voting securities, and annually thereafter for so long as such ownership status is maintained, the Company's Legal Department shall request (a) if the person is an individual, the same information as is requested of directors and executive officers under this policy and (b) if the person is a firm, corporation or other entity, a list of the principals or executive officers of the firm, corporation or entity.

The Company's Legal Department, by examining SEC filings and through the use of Internet search engines and a review of applicable websites, shall expand, if necessary, the list provided by any 5% owner to include, or if no list is provided, create a list of, parent companies, subsidiaries and sibling companies and principals and executive officers, as applicable, and shall update the list on a semi-annual basis.

D. Audit Committee Approval Procedures

Related Person Transactions that are identified as such prior to consummation or material amendment shall be consummated or materially amended only if the following steps are taken:

1. Prior to entering into the Related Person Transaction (a) the Related Person, (b) the director, executive officer, nominee or beneficial owner who is an immediate family member of the Related Person, or (c) the business unit or function/department leader responsible for the potential Related Person Transaction shall provide notice to the Company's Legal Department of the facts and circumstances of the proposed Related Person Transaction, including: (i) the Related Person's relationship to the Company and interest in the transaction; (ii) the material facts of the proposed Related Person Transaction, including the proposed aggregate value of such transaction or, in the case of indebtedness, the amount of principal that would be involved; (iii) the benefits to the Company of the proposed Related Person Transaction; (iv) if applicable, the availability of other sources of comparable products or services; and (v) an assessment of whether the proposed Related Person Transaction is on terms that are comparable to the terms available to an unrelated third party or to employees generally. In the event the notice is provided to the Company's Legal Department by someone other than the business unit or function/department leader responsible for the potential Related Person Transaction, a member of the Company's Legal Department shall meet with the relevant business unit or function/department leader to confirm and supplement the information provided in the original notice. The Company's Legal Department will assess whether the proposed transaction is a Related Person Transaction for purposes of this policy.

2. If the Company's Legal Department determines that the proposed transaction is a Related Party Transaction, such transaction shall be presented to the Audit Committee for consideration at its next regularly scheduled or special meeting. In connection with its review of the proposed Related Person Transaction, management shall inform the Audit Committee of (a) the Related Person's relationship or interest, including all conflicts of interest that may exist or otherwise arise on account of the Related Person Transaction, (b) the material facts of the proposed Related Person Transaction, and (c) any other relevant considerations. At subsequent meetings, management shall update the Audit Committee as to any material changes to a proposed Related Party Transaction.

3. The Audit Committee shall determine whether to approve a Related Person Transaction after considering all relevant facts and circumstances available to the Audit Committee members, including, but not limited to:

- Whether the transaction is on terms comparable to those that could be obtained in arms-length dealing with an unrelated third party;
- Whether there are business reasons to enter into the Related Person Transaction;
- Whether the Related Person Transaction could impair the independence of a director; and

- Whether the Related Person Transaction would present an improper conflict of interest, taking into account the size of the transaction, the overall financial position of the Related Person, the direct or indirect nature of the interest of the Related Person in the transaction, the ongoing nature of any proposed relationships or any other factors the Audit Committee deems relevant.

4. The Audit Committee shall approve only those Related Party Transactions, including the ratification of such transactions if applicable, that are in, or are not inconsistent with, the best interests of the Company and its stockholders, as the Audit Committee determines in good faith.

5. Any member of the Audit Committee who has an interest in the Related Person Transaction under consideration will abstain from voting, but may participate in the discussion if invited to do so by the Chair of the Audit Committee.

6. The Audit Committee has reviewed the types of transactions described below and has determined that each of such Related Person Transactions shall be deemed to be pre-approved under this policy:

- Any compensation paid to a director if the compensation is pursuant to the Board-approved standard compensation arrangements for directors;
- Any compensation paid to an executive officer, solely resulting from the employment relationship with the Company if the compensation is reviewed and approved by the Human Resources Committee or by the Board of Directors.
- Any transaction with another company at which a Related Person's only relationship is as director or beneficial owner of less than a 10% equity interest of that company's shares;
- Any transaction involving a Related Person where the rates or charges involved are determined by competitive bids, or any transaction with a Related Person involving the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority;
- Any transaction with a Related Person involving services as a bank depositary of funds, transfer agent, registrar, trustee under a trust indenture, or similar services;
- Any transaction in which the Related Person's interest arises solely from the ownership of the Company's equity securities and all holders of the Company's equity securities received the same benefit on a pro rata basis (*e.g.*, dividends);
- Any charitable contribution, grant or endowment by the Company to a charitable organization, foundation or university at which a Related Person's only relationship is as an employee (other than an executive officer) or a director, if the aggregate amount involved does not exceed \$125,000;

- Transactions available to Company employees generally;
- Transactions approved by another Committee of the Board in the normal fulfillment of its charter and responsibilities;
- Transactions involving less than \$120,000 when aggregated with all similar transactions.

E. Ratification Procedures

The procedures set forth in this policy generally should be used to approve Related Person Transactions in advance of the transaction being entered into. On occasion, however, it may be advisable to commence a Related Person Transaction before the Audit Committee has evaluated it, or a transaction may commence before the Company discovers that a Related Person is involved. In the event that a director, executive officer or the Secretary becomes aware of a Related Person Transaction that previously has not been approved or ratified under this policy:

1. If the transaction is pending or ongoing, it will be submitted to the Audit Committee promptly, and the Audit Committee shall consider all of the relevant facts and circumstances available to the Audit Committee (as described in D.2. above). Based on the conclusions reached, the Audit Committee shall evaluate all options, including but not limited to ratification, amendment or termination of the Related Person Transaction; and

2. If the transaction is completed, the Audit Committee shall evaluate the transaction, taking into account the same factors described above, to determine if rescission of the transaction is appropriate.

F. Review of Ongoing Transactions

At the Audit Committee's first meeting of each fiscal year, the Audit Committee shall review any previously approved or ratified Related Person Transactions that remain ongoing and have a remaining term of more than six months or remaining amounts payable to or receivable from the Company of more than \$120,000. Based on all relevant facts and circumstances, taking into consideration the Company's contractual obligations, the Audit Committee shall determine if it is in the best interests of the Company and its stockholders to continue, modify or terminate the Related Person Transaction.

G. Disclosure

The Company shall disclose Related Person Transactions in the Company's applicable filings as required by: the Securities Act of 1933, as amended; the Exchange Act and related rules; or by New York Stock Exchange rules. In addition, the material features of this policy shall be disclosed in the Company's annual report on Form 10-K or in the Company's proxy statement, as required by applicable laws, rules and regulations. Any material Related Person Transaction shall be disclosed to the full Board of Directors.