

TITLE: Anti-Fraud Policy					
Policy Number	Issued Date	Effective Date	Revision Date	Last Reviewed/ Approved Date	Issuing Department
LE 2009-1	May 11, 2010	April 2009	July 2020	July 2020	Legal
Approved by:	Heather Grahame, Vice President - General Counsel, Regulatory and Federal Government Affairs; Bobbi Schroepel, Vice President - Customer Care, Communications & Human Resources; Michael Nieman, Chief Audit & Compliance Officer; Robert C. Rowe, President & CEO				

I. Statement of Policy

It is NorthWestern Energy’s policy to maintain a fraud risk management program that will aid in the detection and prevention of fraud against the Company or its stakeholders.

II. Objective

To promote ethical organizational behavior by providing policy guidelines, procedures, and control activities used by the Company to detect, prevent and address fraud.

III. Scope

This policy applies to any fraud or suspected fraud involving directors, employees, shareholders, consultants, vendors, contractors, outside agencies doing business with employees of such agencies, or any other party with a business relationship with the Company. Any investigation activity required will be conducted without regard to an individual’s length of service, position/title, or relationship to the Company.

Failure to comply with this policy may result in (A) disciplinary action up to and including termination of employment or other business relationship or contract with NorthWestern Energy, (B) reporting the fraudulent activity to the appropriate legal or regulatory authorities, and/or (C) initiation of civil action and/or criminal prosecution.

IV. Definitions

A. *Fraud*: Any intentional act or omission designed to deceive others resulting in the victim suffering a loss and/or the perpetrator achieving a gain. Actions constituting fraud include, but are not limited to:

1. Misappropriation of funds, securities, supplies, or other assets;
2. Impropriety in the handling or reporting of money, payroll, or financial transactions;
or
3. Disclosing confidential or proprietary information for personal gain.

- B. *Fraud Risk Factors*: Events, conditions, or conflicts of interest that may provide incentives or pressures to perpetrate fraud, provide opportunities to carry out fraud, or support attitudes and/or rationalizations to justify a fraudulent action. Fraud Risk Factors do not necessarily indicate the existence of fraud; however, they often are present in circumstances where fraud exists.
- C. *Conflict of Interest*: When personal interests interfere or appear to interfere with a person's ability to objectively and effectively perform his or her job.
- D. *Internal Controls*: Processes designed to provide reasonable assurance regarding the reliability of:
 - 1. Financial reporting and the preparation of financial statements, including maintenance of accurate, detailed records; approvals for financial transactions; and prevention of unauthorized acquisition, use, or disposition of assets;
 - 2. Operational information;
 - 3. Effectiveness and efficiency of operations;
 - 4. Safeguarding of assets; and
 - 5. Compliance with laws, regulations, and contracts.
- E. *Good Faith*: An honest belief, or a motive without any malice or the desire to defraud others or to seek an unconscionable advantage.
- F. *Good-Faith Report*: A report made without malice or consideration of personal benefit. A good-faith report should include all relevant information in your possession that you believe to be true.

V. Policy Provisions

A. Responsibilities

1. Audit Committee

The Audit Committee is responsible for ensuring that management designs, implements, and maintains effective fraud risk management controls; encourages ethical behavior; and empowers employees, customers, and vendors to insist that the highest ethical standards are met every day. The Audit Committee should:

- a. Understand fraud risks specific to the Company.
- b. 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.

- c. 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.
- d. Oversee the internal controls established by management.
- e. Set the appropriate tone at the top through participation with the full Board of Directors to oversee the CEO's performance review, job description, hiring, evaluation, and succession-planning processes.
- f. Provide external auditors with evidence regarding the Audit Committee's involvement with and concern about fraud risk management.

2. *Executive Management*

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

- a. Set 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. Executive 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 individuals reporting in good faith will not suffer retribution or retaliation.
- b. Maintain adequate internal controls—including documenting fraud risk management policies and procedures and evaluating their effectiveness—aligned with the Company's fraud risk assessment.
- c. Report to the Board of Directors 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 of fraud must be reported to the Company's external auditors and the Audit Committee of the Board of Directors.

3. *All Employees*

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

- a. Participate in setting the organization's culture in preventing, detecting, and deterring fraud. It is especially incumbent on directors, managers, and supervisors to be clear that fraud is not tolerated, that any such behavior is

dealt with swiftly and decisively, and that individuals reporting in good faith will not suffer retribution or retaliation.

- b. Have a basic understanding of fraud and be aware of fraud risk factors.
- c. Understand NorthWestern Energy's internal controls. Employees should understand how job procedures are designed to manage fraud risks and when noncompliance may create an opportunity for fraud to occur or go undetected.
- d. Read and understand NorthWestern Energy's policies and procedures (e.g., Corporate Anti-Fraud Policy, Code of Conduct and Ethics), as well as other operational policies and procedures, such as procurement policies.
- e. 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.
- f. Report in good faith suspicions or incidences of fraud.
- g. Cooperate in investigations by adhering to the provisions outlined in the NorthWestern Energy Internal Investigation Policy and the NorthWestern Energy Code of Conduct and Ethics.

B. General Provisions

1. Executive 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 of Directors. On a quarterly basis associated with Management's Assessment of Internal Controls over Financial Reporting, key process owners confirm whether or not they are aware of any fraud.
2. 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. The Company may take appropriate corrective action against any employee who intentionally provides false or malicious information.
3. Any report of suspected fraudulent activity is investigated by the appropriate parties pursuant to the NorthWestern Energy Internal Investigation Policy and the NorthWestern Energy Code of Conduct and Ethics.
4. The consequences for anyone who commits or condones fraudulent activity may include termination of employment, termination of a contract or other business relationship, or the reporting of the fraudulent activity to the appropriate legal or regulatory authorities. The Company has the right to institute a civil action against anyone who commits fraud or to refer the matter to the appropriate authorities for criminal prosecution.

5. Internal Audit assists management in evaluating fraud risk factors, designing anti-fraud controls, monitoring for compliance, and investigating suspected fraudulent activity. Internal Audit supports the Audit Committee in performing investigative activities around the inherent risk of management override of controls.
6. The Chief Audit and Compliance Officer administers the review, revision, interpretation, and application of this policy. This policy will be reviewed annually by the Audit Committee of the Board of Directors and revised as appropriate.

C. Reporting of Fraudulent Activity

1. Suspected fraudulent activity must be reported to one or more of the following. Anyone who has concerns or wishes advice about whether an activity is fraudulent should make an inquiry about such activity to one or more of the following.
 - a. A supervisor;
 - b. Internal Audit or the Chief Audit and Compliance Officer;
 - c. A Human Resources generalist;
 - d. The Legal Department;
 - e. An officer, manager, or director; or
 - f. The Company Compliance Line (by calling (877) 781-7286 or online at www.integrity-helpline.com/NW.jsp).
2. If the concern relates to accounting, financial reporting, internal controls, or auditing matters, a report may be made directly to the Chairman of the Audit Committee of NorthWestern Energy's Board of Directors. Reporting guidelines can also be found in the NorthWestern Energy Code of Conduct and Ethics.
3. An employee who is normally involved with an investigation process will not be involved if the suspected fraudulent activity or inquiry involves him or her.

D. Investigation of and Response to Fraudulent Activity

1. Investigatory and any subsequent corrective actions will be taken consistent with the provisions of the NorthWestern Energy Internal Investigation Policy, the NorthWestern Energy Code of Conduct and Ethics, and other applicable policies. All employees have a duty to cooperate with the investigation or review of any reported activities or inquiries and maintain confidentiality in accordance with the NorthWestern Energy Internal Investigation Policy and the NorthWestern Energy Code of Conduct and Ethics.
2. Possible corrective actions include one or more of the following:

- a. *Criminal referral*: The Company may refer the case to law enforcement voluntarily, and, in some cases, it may be required to do so.
 - b. *Civil action*: The Company may elect to pursue a civil action against a perpetrator.
 - c. *Disciplinary action*: Disciplinary action, up to and including termination of employment, may be taken by the Company pursuant to the NorthWestern Energy Employee Discipline Policy.
3. In accordance with the NorthWestern Energy Internal Investigation Policy, results of an investigation will not be disclosed or discussed with anyone other than those who have a legitimate need to know.

VI. Corporate Policy Provisions

- A. Nothing in this policy is intended to limit an employee's rights under the National Labor Relations Act (NLRA).
- B. If any of the provisions of this policy conflict with federal or state law, the provisions of the federal or state law prevail.
- C. If any of the provisions of this policy conflict with those of a collective bargaining agreement (CBA) for covered employees, the provisions of the CBA will prevail.
- D. All employees are expected to comply with this policy. Failure to do so may result in disciplinary action up to and including termination of employment.
- E. The existence of this policy does not create a contract or vested right of employment implied or otherwise. NorthWestern Energy is an at-will employer in South Dakota, Nebraska, and Wyoming.
- F. NorthWestern Energy reserves the right to amend, terminate, or otherwise modify this Policy at any time. The effect of any amendment or modification, however, will be prospective, not retroactive.

VII. Additional Resources

- A. NorthWestern Energy Code of Conduct and Ethics
- B. NorthWestern Energy Internal Investigation Policy
- C. NorthWestern Energy Complaint Procedures Regarding Auditing and Accounting Matters
- D. NorthWestern Energy Employee Discipline Policy

Version	Date	Action	Change Tracking
1	May 11, 2010	Initial creation of policy.	Original Issue.
2	July 2011	Review policy.	Annual Review.
3	July 2012	Revise policy.	Annual Review. Definitions were added for “conflict of interest,” “internal controls,” “good faith,” and “good-faith report.” References were added to the NorthWestern Energy Internal Investigation Policy and the NorthWestern Energy Code of Conduct and Ethics. The “Reporting of Fraudulent Activity” section was reworded to more directly match the reporting section of the Code of Conduct and Ethics. The “Investigation of and Response to Fraudulent Activity” section was streamlined; detail was replaced by cross-references to the NorthWestern Energy Internal Investigation Policy, the NorthWestern Energy Code of Conduct and Ethics, and the NorthWestern Energy Employee Discipline Policy. The “Additional Resources” section was added.
4	July 2013	Annual Review	No changes.
5	July 2014	Annual Review	Shift policy statement and objective to “maintain” perspective, rather than “establish.” Several clarifying and enhancing edits.
6	July 2015	Annual Review	No changes.
7	July 2016	Annual Review	Minor miscellaneous edits/clarifications.
8	July 2017	Annual Review	Minor edits.
9	July 2018	Annual Review	Clarified the role of Internal Audit and other edits.
10	July 2019	Annual Review	No changes.
11	July 2020	Annual Review	No changes.