

**MDU RESOURCES GROUP, INC.**

**BOARD OF DIRECTORS' COMPENSATION COMMITTEE**

**CHARTER**

Purpose

The purpose of the Compensation Committee is to assist the Board (i) in fulfilling its responsibilities relating to the Company's compensation policy and programs and to determine compensation for the Chief Executive Officer and the Company's other officers who are designated by the Board as Section 16 officers pursuant to Section 16 of the Securities Exchange Act of 1934, as amended and (ii) in overseeing the Company's management of risk in the Compensation Committee's areas of responsibility.

Authority and Responsibilities

The Compensation Committee shall:

1. Review the Company's Executive Compensation Policy and recommend changes, as appropriate, to the Board.
2. Review and supervise the Company's compensation programs, including incentive and equity-based programs, and make recommendations to the Board for the adoption of any appropriate additions to or modifications of such programs.
3. Evaluate periodically the internal equity and external competitiveness of compensation of the Chief Executive Officer, the other Section 16 officers, and key management personnel and initiate actions or recommend changes to the Board, as appropriate.
4. Have direct responsibility to review and approve the corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluate the Chief Executive Officer's performance in light of such goals and objectives, and either as a committee or together with other independent directors (as directed by the Board) determine and approve the compensation level of the Chief Executive Officer based on such evaluation.
5. Have direct responsibility to make recommendations to the Board, with respect to compensation of the other Section 16 officers.

6. Establish or approve annual incentive goals under the Executive Incentive Compensation Plan and set minimum, target and maximum award levels for each calendar year.
7. Review corporate and individual performance under the Executive Incentive Compensation Plan for the past calendar year and make recommendations to the Board with respect to awards earned, if any.
8. Grant all incentive compensation opportunities under the Long-Term Performance-Based Incentive Plan for the Chief Executive Officer, the other Section 16 officers, and participating key management personnel. This includes determining the type of award, the terms of the award and the performance goals.
9. Review performance for the Long-Term Performance-Based Incentive Plan for the applicable performance period, determine awards earned if awards are intended to qualify as performance-based compensation and make recommendations to the Board with respect to other awards earned, if any, by the Chief Executive Officer, the other Section 16 officers, and participating key management personnel.
10. Administer, interpret and take all other actions necessary or appropriate as granted to the Committee under the Company's executive compensation and other plans.
11. Review and determine or make recommendations to the Board for approval of other benefits for the Chief Executive Officer and the other Section 16 officers, including but not limited to pension and supplemental pension amounts, health or other welfare benefits and limited perquisites.
12. Review and make recommendations to the Board for approval or modification of any employment, severance, termination, retirement, or change-in-control agreements for the Chief Executive Officer and the other Section 16 officers.
13. Review and discuss with management the Compensation Discussion and Analysis ("CD&A") and based upon such review and discussion, determine whether to recommend to the Board that the CD&A be included in the Proxy Statement or Annual Report on Form 10-K.

14. Arrange for the preparation of and approve the Compensation Committee Report to be included in the Proxy Statement or Annual Report on Form 10-K.
15. Review the Directors' Compensation Policy, which provides for compensation of members of the Board of Directors, consider the relationship of director compensation and perquisites to customary levels for comparable companies and recommend changes, as appropriate, to the Board.
16. Discuss with management (a) policies with respect to the assessment and management of risks arising from the Company's compensation policies and practices and management's assessment of their adequacy and effectiveness, (b) the Company's material risk exposures in these areas and the steps taken to manage such exposures, and (c) the Company's risk tolerance in these areas and its relationship to Company strategy.
17. Meet at such times and report to the Board regarding its deliberations, as necessary or appropriate.
18. Have sole authority to retain and discharge, and approve fees and other terms and conditions for retention of, compensation consultants to assist in consideration of the compensation of the Chief Executive Officer, the other Section 16 officers and the Board. In addition, the Committee shall pre-approve the engagement of the Committee's compensation consultant by the Company for any other purpose. The Committee chairman shall have the authority to grant pre-approval of such engagement prior to the next regularly scheduled Committee meeting. The decision of the Committee chairman to pre-approve any such engagement shall be reported to the Committee at the next meeting.
19. Direct any officer or employee of the Company or request any employee of the Company's advisors, consultants or counsel or such other individual as it may deem appropriate to attend a Committee meeting or meet with any Committee members.
20. Review the Committee's charter on an annual basis and recommend changes, as appropriate, to the Board.
21. Review and evaluate the performance of the Compensation Committee on an annual basis.

The term "compensation" shall be construed comprehensively including by way of example, but not by way of limitation, salary, any supplemental payments, incentive payments, bonuses, performance shares, share incentives, dividend equivalents, options, or restricted shares.

#### Composition

The Compensation Committee is a standing committee of the Board of Directors. The Compensation Committee shall consist of not less than three members of the Board, each of whom satisfies the requirements for independence pursuant to the rules of the New York Stock Exchange and the Company's Director Independence Standards. The members of the Committee shall also satisfy the requirements for being "non-employee directors" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934 and "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code. Committee members shall serve at the pleasure of the Board and for such term or terms as the Board may determine.

#### Resources

The Compensation Committee shall have the resources and appropriate funding, as determined by the Committee, to discharge its duties and responsibilities.

#### Date of Creation

August 3, 1967 as the Salary Committee. Redesignated the Compensation Committee on May 7, 1981.

#### Charter Adopted

January 31, 1979, later expanded and restated on August 4, 1983, May 6, 1983, May 11, 1995, May 16, 1996, May 14, 1998, May 11, 2000, May 15, 2003, November 13, 2003, August 11, 2005, May 11, 2006, November 16, 2006, August 16, 2007 and March 5, 2010.

#### Date Issued

March 5, 2010