

## **MDU RESOURCES GROUP, INC.**

### **CORPORATE GOVERNANCE GUIDELINES**

#### **1. Director Independence Standards**

##### **A. Policy**

The expertise and perspective of independent directors is of great value and benefit to MDU Resources Group, Inc. (“MDU”) and its stockholders. Accordingly, and in keeping with the other high standards of corporate governance which the Board has established, the listing standards of the New York Stock Exchange, and laws and regulations applicable to MDU, the Board has established the following standards on director independence and for determining whether its members are independent.

##### **B. General**

The Board believes that a substantial majority of its members should satisfy these standards for independence. The Board will review the independence of each non-employee director annually.

No director may be deemed independent unless the Board affirmatively determines, after due deliberation, that the director has no material relationship with MDU either directly or as a partner, shareholder or officer of an organization that has a relationship with MDU. In determining independence, the Board will broadly consider all relevant facts and circumstances, including the commercial, industrial, banking, consulting, legal, accounting, and charitable relationships that a director (or an organization with which the director is affiliated) or his or her immediate family has with MDU. Trivial or *de minimis* affiliations or connections to MDU will not generally be cause for the Board to determine that the director is not independent. In addition a director is not independent if:

- (1) The director is, or has been within the last three years, an employee, or has an immediate family member who is, or has been within the last three years, an executive officer, of MDU; provided, however, that a director’s employment as an interim Chairman or Chief Executive Officer or other executive officer shall not disqualify the director from being considered independent following such employment.
- (2) The director has received, or has an immediate family member who has received, during any twelve month period within the last three years, more than \$120,000 in direct compensation from MDU, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); provided, however, that compensation received by a director for former service as an interim Chairman or Chief Executive Officer or other executive officer and

compensation received by an immediate family member for service as an employee of MDU (other than as an executive officer) need not be considered by the Board in this determination.

- (3) (a) The director is a current partner or employee of a firm that is MDU's internal or external auditor; (b) the director has an immediate family member who is a current partner of such a firm; (c) the director has an immediate family member who is a current employee of such a firm and personally works on MDU's audit; or (d) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on MDU's audit within that time.
- (4) The director or an immediate family member of the director is, or has been within the last three years, employed as an executive officer of another company where any of MDU's present executive officers at the same time serves or served on that company's compensation committee.
- (5) The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, MDU for property or services in an amount which in any of the last three fiscal years exceeds the greater of \$1 million, or 2 percent of such other company's consolidated gross revenues. In applying the foregoing, both the payments and the consolidated gross revenues to be measured will be those reported in the last completed fiscal year. Contributions to tax exempt organizations are not considered "payments" for purposes of this paragraph 5.

Relationships involving a director's affiliation with another company that account for lesser amounts than those specified in this paragraph 5 will not be considered to be material relationships that would impair the director's independence, provided that the related payments for goods or services or in connection with other contractual arrangements (a) are made in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated parties; or (b) involve the rendering of services as a public utility at rates or charges fixed in conformity with law or governmental authority.

- (6) The director (or an immediate family member of the director) serves as an officer, director or trustee of a not-for-profit organization, and, within the organization's preceding three fiscal years, MDU's contributions in any single year to the organization exceed 2 percent of that organization's consolidated gross revenues, or \$1 million, whichever is greater.
- (7) The director is (or is affiliated with an organization that is) a significant advisor, counsel or consultant to MDU.

The ownership of stock of MDU by directors is encouraged and substantial stock ownership (not involving control) will not affect the independence status of a director.

As used in this guideline, the term “immediate family member” includes a person’s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person’s home.

For relationships that are not covered by these guidelines, the determination of whether the relationship is material or not, and therefore whether the director would be independent or not, shall be made by the directors satisfying the independence guidelines.

### **C. Audit Committee**

No director who is a member of the Audit Committee of the Board may accept any consulting, advisory or compensatory fee from MDU, or from any of its subsidiary companies, other than in that director’s capacity as a member of the Board or any of the Board’s several committees.

In addition, no director who is a member of the Audit Committee may be an affiliated person of MDU or any of its subsidiary companies apart from affiliation occasioned by the director’s service as a member of the Board or any of the Board’s several committees. A director would be deemed an affiliated person of MDU if that director directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with MDU.

### **D. Compensation Committee**

Each director serving on the Compensation Committee must satisfy the compensation committee member independence requirements under applicable laws, regulations, New York Stock Exchange listing standards and the Company’s Director Independence Standards in these Corporate Governance Guidelines.

## **2. Director Qualifications**

The Nominating and Governance Committee is responsible for reviewing with the Board the requisite skills and characteristics for Board members, as well as the composition of the Board as a whole. In assessing possible candidates for nomination to the Board, the Nominating and Governance Committee will consider the background, experience, skills, character, individual success in the director’s chosen field, background in public companies, geographic area of residence, diversity, and independence of candidates. In considering diversity, the Nominating and Governance Committee will take into account diversity of business and professional experience, skills, gender and ethnic background, as appropriate in light of the current composition and needs of the Board. Prospective nominees for director will be identified and recommended by the Nominating and Governance Committee in accordance with the policies and criteria established from time to time by the Board.

The policy of the Nominating and Governance Committee is to consider director candidates recommended to it, including candidates recommended by stockholders. Stockholders wishing to make recommendations with respect to director candidates should submit to the Chairman of the Nominating and Governance Committee, in care of the Corporate Secretary at MDU Resources Group, Inc., P.O. Box 5650, Bismarck, ND 58506-5650 the following information: (a) the candidate's name, age, business address, residence address and telephone number; (b) the candidate's principal occupation; (c) the class and number of shares of MDU stock owned by the candidate; (d) a description of the candidate's qualifications to be a director; (e) whether the candidate would be an independent director; and (f) any other information the stockholder deems relevant with respect to the recommendation.

In identifying director candidates, the Nominating and Governance Committee consults with members of the Board, MDU management, consultants, and other individuals likely to possess an understanding of MDU's business and knowledge of suitable director candidates.

In evaluating director candidates, the Nominating and Governance Committee considers an individual's:

- (a) background, character, and experience, including experience relative to MDU's lines of business
- (b) skills and experience which complement the skills and experience of current Board members
- (c) success in chosen field of endeavor
- (d) skill in the areas of accounting and financial management, banking, general management, human resources, marketing, operations, public affairs, law, technology, and operations abroad
- (e) background in publicly traded companies
- (f) geographic area of residence
- (g) diversity of business and professional experience, skills, gender and ethnic background, as appropriate in light of the current composition and needs of the Board
- (h) independence, including any affiliation or relationship with other groups, organizations or entities and
- (i) prior and future compliance with applicable law and all applicable corporate governance, code of conduct and ethics, conflict of interest, corporate opportunities, confidentiality, stock ownership and trading policies, and other policies and guidelines of MDU.

There will be no differences in the manner in which the Nominating and Governance Committee evaluates director candidates recommended by stockholders from those recommended by others. Ultimately, the decision whether to recommend a director candidate is within the discretion of the Nominating and Governance Committee.

These guidelines provide information to stockholders who wish to recommend candidates for director for consideration by the Nominating and Governance Committee. Stockholders who wish to actually nominate persons for election to the Board must follow the procedures set forth in Section 2.08 of MDU's Bylaws. Copies of the Bylaws may be obtained by writing or calling the Corporate Secretary at MDU Resources Group, Inc., P.O. Box 5650, Bismarck, ND 58506-5650, Telephone Number: (701) 530-1000 or on the Internet at [www.mdu.com](http://www.mdu.com).

MDU's Restated Certificate of Incorporation provides that the Board will consist of between six and fifteen members with the exact number being fixed from time to time by the Board.

Each director will reasonably manage his or her commitments in order that they do not preclude devoting adequate time and attention to the performance of his or her duties as a member of the Board and its committees.

A person who is not an officer of MDU will be ineligible to serve as a director beyond the first regular meeting of the Board of Directors after the date he shall have attained the age of 76, and a person who is a "high ranking executive" of MDU (as that term is defined in Section 5.01 of MDU's Bylaws) serving as a director will be ineligible to continue service as a director or officer of MDU beyond the first regular meeting of the Board of Directors after the date he shall have attained the age of 65. No former officer or former employee of MDU will be eligible for election as director.

Although the Board has not established term limits, the Nominating and Governance Committee will review each director's continuation on the Board coincident with that director being considered for re-nomination.

### **3. Policy on Majority Voting for Directors**

Section 2.02 of the MDU Bylaws provides that, except as otherwise provided in the Restated Certificate of Incorporation or the Bylaws, each director shall be elected by the vote of the majority of the votes cast with respect to the director at any meeting for the election of directors at which a quorum is present, provided that if, as of the day next preceding the date MDU first gives its notice of meeting for such meeting of stockholders, the number of nominees (including any nominees stockholders have proposed to nominate by giving notice pursuant to Section 2.08 of the Bylaws) exceeds the number of directors to be elected, the directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at any such meeting and entitled to vote on the election of directors. For purposes of this section, a majority of the votes cast means that the number of votes cast "for" a director's election must exceed the number of votes cast "against" that director's election (with "abstentions" and

“broker nonvotes” not counted as a vote cast either “for” or “against” that director’s election). If directors are to be elected by a plurality of the votes of the shares present in person or represented by proxy at any such meeting and entitled to vote on the election of directors, stockholders shall not be permitted to vote “against” a nominee.

Furthermore, any proposed nominee for re-election as a director shall, before he or she is nominated to serve on the Board, tender to the Board his or her irrevocable resignation that will be effective, in an uncontested election of directors only, upon (i) such nominee’s receipt of a greater number of votes “against” election than votes “for” election at MDU’s meeting of stockholders; and (ii) acceptance of such resignation by the Board of Directors. The resignation letter shall be sent to the Chairman of the Nominating and Governance Committee.

After the stockholder meeting, following certification of the stockholder vote, the Nominating and Governance Committee shall promptly recommend to the Board whether or not to accept the tendered resignation. In considering whether to recommend that the Board accept or reject the tendered resignation, the Nominating and Governance Committee will consider all factors deemed relevant by the members of the Nominating and Governance Committee including, without limitation, the stated reasons why stockholders voted “against” the election of such director, the length of service and qualifications of the director, the director’s contributions to MDU, and these Corporate Governance Guidelines.

The Board will act on the Nominating and Governance Committee’s recommendation no later than 90 days following the date of the stockholders’ meeting where the election occurred. In considering the Nominating and Governance Committee’s recommendation, the Board will consider the factors considered by the Nominating and Governance Committee and such additional information and factors the Board believes to be relevant. Following the Board’s decision on the Nominating and Governance Committee’s recommendation, MDU will promptly publicly disclose the Board’s decision whether to accept the resignation as tendered (providing a full explanation of the process by which the decision was reached and, if applicable, the reasons for not accepting the tendered resignation) in a Form 8-K filed with the Securities and Exchange Commission.

To the extent that one or more directors’ resignations are accepted by the Board, the Nominating and Governance Committee will recommend to the Board whether to fill such vacancy or vacancies or to reduce the size of the Board.

Any director who receives a greater number of votes “against” election than votes “for” election at the same meeting of stockholders will not participate in the Nominating and Governance Committee recommendation or Board consideration regarding whether or not to accept the tendered resignation. If a majority of the members of the Nominating and Governance Committee received a greater number of votes “against” their election than votes “for” their election at the same meeting, then the independent directors on the Board who did not receive a greater number of votes “against” their election than votes “for” their election will appoint a Board committee amongst themselves solely for the purpose of considering the tendered resignations and will recommend to the Board whether to accept or reject them. This Board

committee may, but need not, consist of all the independent directors who did not receive a greater number of votes “against” their election than votes “for” their election.

This majority voting policy will be summarized or included in each proxy statement relating to an election of directors of MDU. The Board shall fill director vacancies and new directorships only with candidates who agree to tender, before their appointment to the Board, the same form of resignation tendered by other directors in accordance with this provision.

#### **4. Director Resignation Upon Change of Job Responsibility**

A director shall tender to the Board an irrevocable resignation within 30 days after (a) a material change in job responsibility from the job responsibility held at the time of such director’s original nomination as a director or (b) the relinquishment, whether by resignation, retirement or otherwise, of the position held in connection with his or her principal occupation at the time of such director’s original nomination as a director. The resignation shall be submitted to the Chairman of the Nominating and Governance Committee. In considering whether to accept or reject the tendered resignation, the Nominating and Governance Committee will consider all factors deemed relevant by the directors on the Nominating and Governance Committee, including, without limitation, the reason for relinquishment of the position and/or the director’s new position (if any), the length of service and qualifications of the director, the director’s contributions to MDU, and these Corporate Governance Guidelines. The Nominating and Governance Committee will promptly recommend to the Board whether or not to accept the resignation. In considering the Nominating and Governance Committee’s recommendation, the Board will consider the factors considered by the Nominating and Governance Committee and such additional information and factors the Board believes to be relevant. The director will be given the opportunity to meet with the Nominating and Governance Committee and the Board, but may not participate in the Nominating and Governance Committee recommendation or Board consideration. If the Board accepts the resignation, the Board shall determine the date on which it becomes effective.

#### **5. Director Responsibilities**

The business and affairs of MDU are under the direction of the Board of Directors. The Board elects a Chief Executive Officer and other officers of MDU who have those powers and duties regarding the day-to-day operations of MDU as are specified in MDU’s Bylaws or as otherwise determined by the Board. In discharging their obligations, directors will be entitled reasonably to rely on MDU’s employees and its outside advisors and auditors. Directors are expected to attend meetings of the Board and of committees on which they serve, and to spend whatever time is necessary, including time to review materials distributed in advance of Board or committee meetings, to properly discharge their responsibilities.

The Chairman of the Board shall be a director who has been determined to be independent by the Board of Directors in accordance with the director independence standards in these Corporate Governance Guidelines. The Chairman shall consult with the Chief Executive Officer regarding the Board’s meeting agendas, the quality and flow of information provided to the Board and the effectiveness of the Board meeting process.

The non-management directors of MDU shall meet in executive session without management on a regularly scheduled basis. “Non-management” directors are those directors who are not executive officers, and include directors who are not independent. If any of MDU’s non-management directors are not independent directors, an executive session will be held at least once each year with only those non-management directors who are independent directors. The Chairman of the Board shall preside at executive sessions of the non-management directors. The Chairman of the Board or another independent director shall preside at executive sessions of the independent directors.

The directors will be entitled to have MDU purchase reasonable directors’ liability insurance on their behalf, to the benefits of indemnification to the fullest extent permitted by law and MDU’s Restated Certificate of Incorporation, Bylaws and any indemnification agreements, and to exculpation as provided by state law and MDU’s Restated Certificate of Incorporation.

## **6. Board Committees**

The Board will have at all times an Audit Committee, a Compensation Committee, and a Nominating and Governance Committee. No employee of MDU will be a member of any of these committees, and all of the members of these committees will meet the independence and other eligibility requirements set forth in Section 1 of these Corporate Governance Guidelines. Committee members will be appointed by the Board upon recommendation of the Nominating and Governance Committee with consideration of the desires of individual directors. It is the sense of the Board that consideration should be given to rotating committee members periodically.

Each committee will have a written charter that sets forth the purposes, goals and responsibilities of the committee, as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations, and process for committee reporting to the Board. Each charter will address annual performance evaluations of the committee.

The chairman of each committee, in consultation with the committee members, will determine the frequency and length of committee meetings, consistent with any requirements of the committee’s charter. The chairman of each committee, in consultation with the members of the committee and management, will develop the committee’s agenda. The schedule of meetings for each committee will be furnished to all directors.

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of MDU’s independent auditors engaged (including resolution of disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing and issuing an audit report or other attest services, and the independent auditors shall report directly to the Audit Committee. The appointment of MDU’s independent auditors shall be submitted for stockholder ratification at the next stockholders’ annual meeting following the auditors’ appointment.



The Compensation Committee will determine if the work of any compensation consultant has raised any conflict of interest and how to address any such conflict. In making its determination, the Compensation Committee will consider the factors set forth in Exchange Act Rule 10C-1(b)(4)(i)-(vi) and such other factors as may be determined by the Compensation Committee.

The Board has ultimate responsibility for the oversight of risk at MDU. The Audit Committee, the Compensation Committee and the Nominating and Governance Committee, respectively, assist the Board in fulfilling its risk oversight responsibilities in the respective committee's areas of responsibility.

The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

The Board and the committees each have the authority to hire and fire independent legal, financial or other advisors as they may deem necessary, and to establish the terms and conditions of the particular engagement.

## **7. Director Access to Officers, Employees and Outside Advisors**

Directors have full and free access to officers and employees of MDU and, as necessary, outside advisors. In making any contact with an officer, employee or advisor, the director will take into account the potential effect of any such contact on the orderly conduct of MDU's affairs.

The Board welcomes regular attendance at Board meetings of senior executives of MDU. The Chief Executive Officer shall consult with the Chairman with respect to the attendance of other executives, employees or advisors to MDU.

## **8. Director Compensation**

A director who also is an officer of MDU shall not receive additional compensation for service as a director.

The Compensation Committee will review the directors' compensation policies and recommend changes, as appropriate, from time to time to the Board. The Compensation Committee will consider the relationship of director compensation and perquisites to customary levels for comparable companies. The Compensation Committee will consider director compensation in light of the applicable definitions of "independence."

## **9. Director Stock Ownership Policy**

Each director is required to own MDU Common Stock equal in value to five (5) times the director's annual cash retainer.

- (a) Shares acquired through purchases on the open market and participation in MDU's director stock plans will be considered in ownership calculations as will ownership of MDU Common Stock by a spouse.
- (b) It is recognized that each director may need up to five (5) years to fulfill target ownership expectations, such five-year period commencing January 1 of the year following the director's initial election to the Board of Directors.
- (c) The level of stock ownership will be monitored annually with a report to the Compensation Committee of the Board of Directors.

## **10. Director Orientation and Continuing Education**

All new directors are expected to participate in MDU's orientation program. Director orientation will include presentations by senior management to familiarize new directors with MDU's corporate culture, strategic plans, significant financial, accounting and risk management policies and issues, compliance programs, the code of conduct and ethics policy (Leading With Integrity Guide), principal executives, and internal and independent auditors. In addition, director orientation will include visits to MDU's headquarters and, to the extent practicable, the headquarters of MDU's significant business units. Director orientation is open to all directors.

All directors are responsible for keeping current their knowledge of MDU's business and the environment in which it operates.

All directors are encouraged to attend continuing education programs approved by the Nominating and Governance Committee to maintain an appropriate level of expertise and knowledge regarding responsibilities as a director.

## **11. Chief Executive Officer Evaluation and Management Succession**

The Compensation Committee will conduct an annual review of the Chief Executive Officer's performance 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 review. The Chairman will communicate with the Chief Executive Officer regarding results of the Chief Executive Officer's annual performance review.

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

## **12. Annual Performance Evaluation**

The Board of Directors, in coordination with the Nominating and Governance Committee, annually will review and evaluate the performance and functioning of the Board and its committees.

## **13. Board Positions With Other Public Companies**

The number of boards on which a director may sit may be reviewed on a case-by-case basis by the Nominating and Governance Committee. Section 3.02 of the MDU Bylaws provides that a director shall not serve on the board of directors of more than three public companies in total, including MDU. The chief executive officer and other executive officers shall not be members of more than two boards of other public companies. Service on another public company's board of directors should not create a conflict of interest or impair the director's or the executive officer's ability to provide sufficient time to carry out his or her duties as a director of MDU.

## **14. Review of Related Persons Transactions**

Transactions that (a) involve directors, director nominees, executive officers, significant shareholders or other "related persons" in which MDU is or will be a participant; and (b) are of the type required to be reported under Item 404(a) of Regulation S-K of the Securities and Exchange Commission shall be reviewed by the Audit Committee for the purpose of determining whether such transactions are in the best interests of MDU.

"Transactions" for this purpose are any transactions since the beginning of MDU's last fiscal year, or any currently proposed transaction, in which MDU was or is to be a participant, the amount involved exceeds \$120,000, and in which any related person had or will have a direct or indirect material interest, with exceptions as set forth in the Instructions to Item 404(a) of Regulation S-K. "Transactions" include but are not limited to any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships.

"Executive officer" means any of those persons identified as executive officers in MDU's most recent proxy statement and those persons succeeding into those positions subsequent to the filing of the proxy statement.

"Related person" means any director, director nominee, executive officer, and any holder of five percent or more of MDU's Common Stock and any immediate family member thereof which shall include any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, and any person (other than a tenant or employee) sharing the household of such director, director nominee, executive officer, or security holder.

It shall be the responsibility of the individual directors, director nominees, executive officers, and any holder of five percent or more of MDU's Common Stock to promptly report to

the General Counsel of MDU all proposed or existing Transactions in which MDU and they, or persons related to them, are parties or participants, and to provide such information with respect to such Transactions as MDU may request.

The General Counsel shall furnish to the Chairman of the Audit Committee any such report relating to a Transaction that, in the General Counsel's judgment, may require reporting pursuant to Item 404 of Regulation S-K, together with a memorandum from the General Counsel (or his or her designee) setting forth the material facts and circumstances of the Transaction.

After review of the report and memorandum from the General Counsel, and after consideration of the material facts and circumstances, and such consultation with legal counsel and other advisors as it deems advisable, the Audit Committee shall make such determination or recommendation to the Board of Directors and appropriate officers of MDU with respect to such Transaction as the Audit Committee deems appropriate.

Upon receipt of the Audit Committee's recommendation, the Board of Directors or officers, as the case may be, shall take such action as deemed appropriate in light of their respective responsibilities under applicable laws and regulations.

The provisions of this section of the guidelines do not add to, and are not otherwise intended to affect, application of the provisions of Section 144 of the Delaware General Corporation Law with respect to contracts or transactions entered into by MDU that involve one or more of MDU's directors or officers.

## **15. Approval, Adoption, Amendment and Restatement**

Approved and adopted August 13, 2003

Amended and restated November 13, 2003

Amended November 11, 2004

Amended and restated February 17, 2005

Amended and restated August 11, 2005

Amended and restated November 17, 2005

Amended and restated February 16, 2006

Amended and restated August 17, 2006

Amended and restated November 16, 2006

Amended and restated May 17, 2007

Amended and restated November 13, 2008

Amended and restated February 11, 2010

Amended and restated November 11, 2010, as to Directors Age, incorporating Majority Voting into the Guidelines, and Director Stock Ownership

Amended and restated May 12, 2011, as to Director Qualifications

Amended and restated August 16, 2012, as to an Independent Chairman of the Board

Amended and restated November 15, 2012, to add language responsive to Regulation S-K Item 407(e)(3)(iv)

Amended and restated August 14, 2014, as to Directors Age and Board Positions With Other Public Companies.