

Charter of the Compensation Committee of the Board of Directors Black Hills Corporation

I. Authority

This Compensation Committee Charter was initially adopted by the Board of Directors of Black Hills Corporation (the “Company”) on June 17, 2003, and last revised on October 23, 2017.

II. Purpose of the Compensation Committee

- Discharge the Board of Director’s responsibilities related to the Company’s executive and director compensation philosophy, policies, and programs.
- Perform any function required of directors in the administration of all federal and state laws and regulations pertaining to executive employment and compensation.
- Consider and recommend for approval by the Board, if required, all executive compensation programs, including executive benefit programs and stock ownership plans of the Company.
- Promote an executive compensation program that supports the overall objective of enhancing shareholder value. The goals of the program include the following:
 - Attract, retain and encourage the development of highly qualified and motivated executives;
 - Provide compensation that is competitive;
 - Promote a relationship between pay and performance;
 - Promote overall corporate performance that is linked to the interests of the shareholders;
 - Appropriately recognize and reward performance.

III. Composition, Meetings and Reports of the Compensation Committee

Composition

- The Compensation Committee shall consist of a minimum of three directors.
- Members of the Committee shall be appointed by the Board upon the recommendation of the Governance Committee and may be removed by the Board in its discretion.
- All members of the Committee shall be independent directors, and shall satisfy all legal, regulatory or New York Stock Exchange (NYSE) requirements for independence of members of the Compensation Committee, including the Securities Exchange Act of 1934, and Section 162(m) of the Internal Revenue Code.
- Members of the Committee must possess and maintain an adequate knowledge and understanding of Company compensation programs,

alternative compensation mechanisms, and legal or regulatory rules pertaining to executive compensation.

- Members shall keep abreast of current developments in executive compensation practices outside the Company.

Meetings

- The Committee shall meet at least twice each year.

Reports

- **Committee Meeting Reports.** The Committee shall report its actions and any recommendations to the Board after each Committee meeting.
- **Committee Evaluation.** The Committee shall conduct and present to the Board an annual performance evaluation of the Committee.
- **Compensation Report to Shareholders.** The Committee shall prepare and publish an annual report to shareholders in the Company's proxy statement, as required by the rules of the Securities Exchange Commission.
 - Review and discuss the Compensation Discussion and Analysis with management, and based on the review and discussion, recommend to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's Annual Report on Form 10-K and Proxy Statement.
 - Communicate with shareholders of the Company regarding the Company's compensation programs, as deemed necessary.

IV. Responsibilities and Powers of the Compensation Committee

Executive Compensation

- Establish the Company's compensation philosophy.
- Review and approve the selection of peer groups.
- Make compensation decisions ensuring that the compensation of senior executives and the Board of Directors are in alignment with the compensation philosophy.
- Review and approve the Company's goals and objectives relevant to the Chief Executive Officer's compensation.
- Assist the Board in addressing compensation issues relating to the implementation of an executive succession plan.

Compensation of the Chief Executive Officer

Review and recommend for approval to the Board of Directors the compensation for the Chief Executive Officer.

- Annually evaluate the Chief Executive Officer's performance in light of established goals and objectives, with input from the Independent Directors.
- Recommend to the Independent Directors of the Board the Chief Executive Officer's annual compensation, including salary, bonus, incentive and equity compensation and perquisites.

Compensation of the Other Senior Executive Officers

Review and approve the compensation of the other senior executive officers.

- Annually review and approve the Chief Executive Officer's recommendations for compensation of other senior executive officers of the Company, including salary, bonus, incentive and equity compensation and perquisites.

Compensation of Other Company Officers

Provide oversight of management's decisions concerning the alignment of performance and compensation of other Company officers.

Incentive Compensation and Equity Based Plans

Review and provide oversight on the Company's incentive compensation and other stock-based plans and recommend changes in such plans, for approval by the Board of Directors, as needed.

- The Committee shall have and shall exercise all the authority of the Board of Directors with respect to such plans, including
 - the power to review and recommend plans,
 - recommend opportunities and performance baselines,
 - review and evaluate performance against goals or targets, and
 - approve pay-outs.
- Seek the receipt of shareholder approval of such plans when required by applicable law or regulations.

Employment and Severance Agreements

- Review and recommend for approval by the Board of Directors any employment agreements for executive officers of the Company, including change-in-control provisions, plans or agreements.
- Review and recommend for approval by the Board of Directors any severance agreement for the Chief Executive Officer of the Company.
- Review and approve any severance agreements for the other executive officers of the Company.

- Take into consideration application of relevant provisions of the Internal Revenue Code with respect to such agreements.

Executive Benefit Plans

Review and provide oversight on executive benefit plans and deferred compensation plans.

Employee Benefit Plans

Review and approve material amendments to employee benefit plans as recommended by the Black Hills Corporation Benefits Committee.

Stock Ownership Guidelines

Review stock ownership guidelines and monitor the levels of and changes in stock ownership of senior executives and directors.

Director Compensation

- Review, advise and interpret the compensation of directors and make recommendations to the Board of Directors regarding changes to existing compensation levels.

Regulatory Compliance

- In consultation with management, monitor regulatory compliance with respect to executive compensation matters.
- Review at least annually the adequacy of this charter and recommend any proposed changes to the Board for approval.
- This Charter will be published and maintained on the Company's website at "www.blackhillscorp.com."

Authority to Retain Experts

- The Committee shall have authority, in its sole discretion, to retain or obtain the advice of a compensation consultant, independent legal counsel or other adviser.
- The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, independent legal counsel or other adviser retained by the Committee.
- The Company must provide for appropriate funding, as determined by the Committee, for payment of reasonable compensation to a compensation consultant, independent legal counsel or any adviser retained by the Committee.
- The Committee may select a compensation consultant, legal counsel or other adviser to the Committee only after taking into consideration, all factors

relevant to that person's independence from management, including the following:

- The provision of other services to the Company by the person that employs the compensation consultant, legal counsel or other adviser;
- The amount of fees received from the Company by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;
- The policies and procedures of the person that employs the compensation consultant, legal counsel or other advisor that are designed to prevent conflicts of interest;
- Any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the Committee;
- Any Company stock owned by the compensation consultant, legal counsel or other adviser; and
- Any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the Company.

Delegation of Duties and Responsibilities

- The Committee shall have the authority to delegate any of its responsibilities to subcommittees as the Committee may deem appropriate in its sole discretion.
- The Committee may delegate its authority under this Charter relating to employees other than executive officers and directors, to the extent it deems appropriate and consistent with law and customary practice, and may otherwise fully delegate authority relating to matters it deems to be ministerial.
- The Committee may delegate its authority under this Charter relating to employee benefit plans in which executive officers participate if such employee benefit plans are broad-based, to the extent it deems appropriate and consistent with law and customary practice.

Charter initially adopted June 17, 2003

Charter revised on the following dates:

December 9, 2003
December 6, 2004
December 5, 2005
December 5, 2006
December 11, 2007
December 9, 2008
December 8, 2009
October 28, 2010
December 6, 2011

July 23, 2013
October 24, 2016
October 23, 2017

Charter last reviewed on October 23, 2017