MDU RESOURCES GROUP INC
Form DEF 14A
March 22, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant ý
Filed by a party other than the Registrant ¨
Check the appropriate box:
¨ Preliminary Proxy Statement
¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
ý Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material under §240.14a-12

MDU Resources Group, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

March 22, 2019

Fellow Stockholders:

I invite you to join me, our Board of Directors and members of our senior management team for our annual meeting at 11 a.m. CDT May 7, 2019, at 909 Airport Road in Bismarck, North Dakota.

At the meeting, stockholders will vote on the items outlined in this proxy statement, including election of our Board of Directors, approval of our independent auditors, and approval of the amended certificates of incorporation for MDU Resources Group and Montana-Dakota Utilities.

Our director slate up for election includes three candidates who have not previously been on the ballot: Edward A. Ryan, David M. Sparby and Chenxi Wang. Edward and David were appointed to the board during 2018. Chenxi has been put forward as a candidate by our Nominating and Governance Committee because of her expertise in technology and cybersecurity. These three new candidates will help ensure a smooth leadership transition as Bart Holaday did not stand for re-election in 2018 and Harry Pearce and Bill McCracken will not stand for re-election this year. Our corporate bylaws state that directors are not eligible for election to the board after their 76th birthday. We deeply appreciate the diligent and faithful service that Harry, Bart and Bill have provided to MDU Resources' stockholders. Harry, especially, has served you well in his 22 years as a director, including five years as independent lead director and the past 14 years as chair of the board.

Also before stockholders for a vote are resolutions to amend the certificates of incorporation for MDU Resources and Montana-Dakota Utilities. These amendments follow the reorganization of our corporate structure at the start of 2019. The reorganization was undertaken to further delineate the separation between our utility companies and our other businesses. Montana-Dakota Utilities Co. and Great Plains Natural Gas Co. were originally structured as divisions of MDU Resources, as required by the Public Utility Holding Company Act of 1935. The Energy Policy Act of 2005 repealed the PUHCA and allowed us to restructure these companies as a subsidiary. Montana-Dakota Utilities is now a subsidiary of MDU Resources and Great Plains Natural Gas is a division of Montana-Dakota Utilities. This reorganization simplifies our corporate structure and provides greater flexibility in our financing options.

In addition to the business items to be conducted at the annual meeting, I will provide an overview of our strong 2018 financial results and the acquisitions and other growth projects we accomplished. We started 2019 with strong momentum, and I will tell you more about the record backlog of work we have at our construction operations and the additional growth projects we expect to complete this year.

I look forward to seeing you May 7. Details on how to receive an admission ticket to attend our annual meeting are included in the Notice of Annual Meeting of Stockholders as well as on page 67 of this Proxy Statement.

If you cannot attend the annual stockholder meeting, your vote is still important to us. I ask that you please promptly follow the instructions on your notice or proxy card to vote.

We appreciate your continued investment in MDU Resources and remain committed to providing the long-term value you expect.

Sincerely,

David L. Goodin

President and Chief Executive Officer

Proxy Statement

1200 West Century Avenue
Mailing Address:
P.O. Box 5650
Bismarck, North Dakota 58506-5650
(701) 530-1000

NOTICE OF
ANNUAL
MEETING OF
STOCKHOLDERS
TO BE HELD
MAY 7, 2019

March 22, 2019

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of MDU Resources Group, Inc. will be held at 909 Airport Road, Bismarck, North Dakota 58504, on Tuesday, May 7, 2019, at 11:00 a.m., Central Daylight Saving Time, for the following purposes:

Items of Business	1. Election of directors; 2. Advisory vote to approve the compensation paid to the company's named executive officers; 3. Ratification of the appointment of Deloitte & Touche LLP as the company's independent registered public accounting firm for 2019; 4. Approval of an Amendment to Montana-Dakota Utilities Co.'s Restated Certificate of Incorporation; 5. Approval of Amendments to Update and Modernize the Company's Amended and Restated Certificate of Incorporation; and 6. Transaction of any other business that may properly come before the meeting or any adjournment(s) thereof.
Record Date	The board of directors has set the close of business on March 8, 2019, as the record date for the determination of common stockholders who will be entitled to notice of, and to vote at, the meeting and any adjournment(s) thereof.
Meeting Attendance	All stockholders as of the record date of March 8, 2019, are cordially invited and urged to attend the annual meeting. You must request an admission ticket to attend. If you are a stockholder of record and plan to attend the meeting, please contact MDU Resources Group, Inc. by email at CorporateSecretary@mduresources.com or by telephone at 701-530-1010 to request an admission ticket. A ticket will be sent to you by mail. If your shares are held beneficially in the name of a bank, broker, or other holder of record, and you plan to attend the annual meeting, you will need to submit a written request for an admission ticket by mail to: Investor Relations, MDU Resources Group, Inc., P.O. Box 5650, Bismarck, ND 58506 or by email at CorporateSecretary@mduresources.com. The request must include proof of stock ownership as of March 8, 2019, such as a bank or brokerage firm account statement or a legal proxy from the bank, broker, or other holder of record confirming ownership. A ticket will be sent to you by mail. Requests for admission tickets must be received no later than May 1, 2019. You must present your admission ticket and state-issued photo identification, such as a driver's license, to gain admittance to the meeting.

Proxy Materials	Notice of Availability of Proxy Materials will be sent on or about March 22, 2019. The Notice contains basic information about the annual meeting and instructions on how to view our proxy materials and vote electronically on the Internet. Stockholders who do not receive the Notice will receive a paper copy of our proxy materials, which will be sent on or about March 28, 2019.

By order of the Board of Directors,

Daniel S. Kuntz
Secretary

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on May 7, 2019.
The 2019 Notice of Annual Meeting and Proxy Statement and 2018 Annual Report to Stockholders are available at www.mdu.com/proxymaterials.

Proxy Statement

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PROXY STATEMENT SUMMARY

To assist you in reviewing the company's 2018 performance and voting your shares, we call your attention to key elements of our 2019 Proxy Statement. The following is only a summary and does not contain all the information you should consider. You should read the entire Proxy Statement carefully before voting. For more information about these topics, please review the full Proxy Statement and our 2018 Annual Report to Stockholders.

Meeting Information

Time and Date:
11:00 a.m. Central Daylight Saving Time
Tuesday, May 7, 2019

Place:
MDU Service Center
909 Airport Road
Bismarck, ND 58504

Summary of Stockholder Voting Matters

	Voting Matters	Board Vote Recommendation	See Page
Item 1.	Election of Directors	FOR Each Nominee	7
Item 2.	Advisory Vote to Approve the Compensation Paid to the Company's Named Executive Officers	FOR	29
Item 3.	Ratification of the Appointment of Deloitte & Touche LLP as the Company's Independent Registered Public Accounting Firm for 2019	FOR	57
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Item 5.	Approval of Amendments to Update and Modernize the Company's Amended and Restated Certificate of	FOR	61

Incorporation

Corporate Governance Highlights

MDU Resources Group, Inc. is committed to strong corporate governance practices. The following highlights our corporate governance practices and policies. See the sections entitled "Corporate Governance" and "Executive Compensation" for more information on the following:

ü	Annual Election of All Directors	ü	Standing Committees Consist Entirely of Independent Directors
ü	Majority Voting for Directors	ü	Active Investor Outreach Program
ü	Succession Planning and Implementation Process	ü	Stock Ownership Requirements for Directors and Executive Officers
ü	Separate Board Chair and CEO	ü	Anti-Hedging and Anti-Pledging Policies for Directors and Executive Officers
ü	Executive Sessions of Independent Directors at Every Regularly Scheduled Board Meeting	ü	No Related Party Transactions by Our Directors or Executive Officers
ü	Annual Board and Committee Self-Evaluations	ü	Compensation Recovery/Clawback Policy
ü	Risk Oversight by Full Board and Committees	ü	Annual Advisory Approval on Executive Compensation
ü	All Directors are Independent Other Than Our CEO	ü	Mandatory Retirement for Directors at Age 76
ü	"Proxy Access" Allowing Stockholders to Nominate Directors in Accordance With the Terms	ü	Directors May Not Serve on More Than Three Public Boards Including the Company's Board

of Our Bylaws

Proxy Statement

Business Performance Highlights

Our overall performance in 2018 was consistent with our long-term strategy as we focused on growing our regulated energy delivery and construction materials and services business segments. In addition to our 2018 financial performance highlighted on the next page:

- Our electric distribution segment completed the purchase of the Thunder Spirit Wind Farm expansion in southwest North Dakota. The purchase boosts the production capacity of the wind farm from 107.5 megawatts to 155 megawatts of renewable energy. This increases the segment's renewable generation capacity from

22% to 27% of its total generation capacity.

Construction continued in 2018 on the 345-kilovolt transmission line project from Ellendale, North Dakota, to Big Stone City, South Dakota, and was completed in February 2019.

Our construction materials and contracting segment completed the following four acquisitions during 2018:

- o Sweetman Const. Co. located in Sioux Falls, South Dakota;
- o Teevin & Fischer Quarry, LLC located in northern Oregon;
- o Tri-City Paving, Inc. located in Little Falls, Minnesota; and
- o Molalla Redi-Mix and Rock Products, Inc. located

south of Portland, Oregon.

The pipeline and midstream segment in 2018 had record transportation volumes for the second consecutive year. The segment expanded Line Section 27 of its natural gas transportation system in northwestern North Dakota. The project involved construction of approximately 13 miles of pipeline and associated facilities. The expansion provides Line Section 27 with capacity to transport over 600,000 dekatherms per day. The segment also completed construction of its 38-mile Valley Expansion Project transmission line in eastern North Dakota and western Minnesota. The segment is proceeding with construction planning on its Demicks Lake Project in McKenzie County, North Dakota, and Line Section 22 Project near Billings, Montana. Both of these projects are expected to be completed in 2019.

On January 1, 2019, we completed a holding company reorganization to provide additional financing flexibility and further separation between the company's utility and other business segments. As a result of the reorganization, all of the company's utility operations will be conducted through wholly-owned subsidiaries.

Including our accomplishments in 2018, we are optimistic about the company's future financial performance. The

chart below
shows our
progress over the
last five years.
* MDU Resources Group, Inc. reported 2017 earnings from continuing operations of $1.45 per share which included a non-recurring benefit of 20 cents per share attributable to the federal Tax Cuts and Jobs Act that was signed into law on December 22, 2017.

2018 Financial Performance Highlights

- Strong year-over-year performance from continuing operations at both our regulated energy segments and our construction materials and services segments resulted in earnings per share from continuing operations of $1.38 per share compared to $1.45 per share in 2017, which included a benefit of 20 cents per share attributable to the federal Tax Cuts and Jobs Act. Including discontinued operations, 2018 earnings were $272.3 million, or $1.39 per share, compared to $280.4 million, or $1.43 cents per share, in 2017.
- Return of stockholder value through dividends:
  - Increased dividend for 28th straight year; and
  - Paid uninterrupted dividend for 81 straight years.
- Maintained BBB+ stable credit rating from Standard & Poor's and Fitch rating agencies. [1]

28 Years of Consecutive Dividend Increases	Dividends Paid $739 Million Over the Last 5 Years	81 Years of Uninterrupted Dividend Payments

Compensation Highlights

The company's executive compensation is focused on paying for performance. Our compensation program is structured to strongly align compensation with the company's financial performance as a substantial portion of our executive compensation is based upon performance incentive awards.

Over 75% of our chief executive officer's target compensation and over 58% of our other named executive officers' target compensation is performance based.

100% of our chief executive officer's annual and long-term incentive compensation is tied to performance against pre-established, specific, measurable financial goals.

We require our executive officers to own a significant amount of company stock based upon a multiple of their base salary.

2018 Named Executive Officer Target Pay Mix

*Includes time-vesting restricted stock units for certain named executive officers.

1 A securities rating is not a recommendation to buy, sell, or hold securities, and it may be revised or withdrawn at any time by the rating agency.

Proxy Statement

Key Features of Our Executive Compensation Program

What We Do

þ Pay for Performance - Annual and long-term award incentives tied to performance measures set by the compensation committee comprise the largest portion of executive compensation.

þ Independent Compensation Committee - All members of the compensation committee meet the independence standards under the New York Stock Exchange listing standards and the Securities and Exchange Commission rules.

þ Independent Compensation Consultant - The compensation committee retains an independent compensation consultant to evaluate executive compensation plans and practices.

þ Competitive Compensation - Executive compensation reflects executive performance, experience, relative value compared to other positions within the company, relationship to competitive market value compensation, business segment economic environment, and the actual performance of the overall company and the business segments.

þ Annual Cash Incentive - Payment of annual cash incentive awards are based on business segment and overall company performance against pre-established financial measures.

þ Long-Term Equity Incentive - The long-term performance-based equity incentive in the form of performance shares represents approximately 56% of our CEO's and approximately 37% of our other named executive officers' 2018 target compensation, which may only be earned based on achievement of established performance measures at the end of a three-year period.

þ Annual Compensation Risk Analysis - We regularly analyze the risks related to our compensation programs and conduct an annual broad risk assessment.

þ Stock Ownership and Retention Requirements - Executive officers are required to own, within five years of appointment or promotion, company common stock equal to a multiple of their base salary. The executive officers also must retain at least 50% of the net after-tax shares of stock vested through the long-term incentive plan for at least two years or until termination of employment.

þ Clawback Policy - If the company's audited financial statements are restated, the compensation committee may, or shall if required, demand repayment of some or all incentives paid to our executive officers within the last three years.

What We Do Not Do

ý Stock Options - The company does not use stock options as a form of incentive compensation.

ý Employment Agreements - Executives do not have employment agreements entitling them to specific payments upon termination or a change of control of the company.

ý Perquisites - Executives do not receive perquisites that materially differ from those available to employees in general.

ý Hedge Stock - Executives and directors are not allowed to hedge company securities.

ý Pledge Stock - Executives and directors are not allowed to pledge company securities in margin accounts or as collateral for loans.

ý No Dividends or Dividend Equivalents on Unvested Shares - We do not provide for payment of dividends or dividend equivalents on unvested share awards.

Proxy Statement

Corporate Responsibility, Environmental, and Sustainability

MDU Resources Group, Inc. is Building a Strong America® by providing essential products and services to our customers with a long-term view toward sustainable operations. To ensure we can continue to provide these products and services in the communities where we do business, we recognize that we must preserve the trust our communities place in us to be a good corporate citizen. We remain committed to pursuing responsible corporate governance and environmental practices and to maintaining the health and safety of the public and our employees. Learn about our sustainability efforts in our Sustainability Report, which is available at www.mdu.com/sustainability. To better serve our investors and other stakeholders, in 2019 we will begin reporting environmental, social, governance, and sustainability (ESG/sustainability) metrics relevant and important to our operations in frameworks that will provide our stakeholders more uniform and transparent data and information, allowing for comparison with our peers and other companies operating in our industries. For our electric and natural gas distribution segments, as well as our pipeline and midstream segment, we intend to report ESG/sustainability metrics using the reporting templates developed by the Edison Electric Institute and the American Gas Association. For our other business segments, we intend to report ESG/sustainability information under the framework developed by the Sustainability Accounting Standards Board (SASB) for our applicable industries. The use of the metrics developed by these organizations provides for ESG/sustainability reporting tailored to our industries.

These are some highlights of our recent efforts regarding sustainability:

As our renewable generation

resource capacity has increased, the carbon dioxide (CO_2) emission intensity of our electric generation resource fleet has been reduced by approximately 24% since 2003. We expect it to continue to decline in future years. Renewable resources comprised approximately 27% of our electric generation resource nameplate capacity at December 31, 2018.

Approximately 21% of the electricity delivered to our customers from company-owned generation in 2018 was from renewable resources.
We invested approximately $133 million in environmental emission control equipment and other environmental improvements at

our coal-fired electric generation plants since 2013. The investments have resulted in substantial reductions in mercury, sulfur dioxide, nitrogen oxide, and filterable particulate emissions from our coal-fired electric generation resources. Montana-Dakota Utilities Co. produces renewable natural gas (RNG) from the Billings Regional Landfill in Montana. The project came online at the end of 2010 and has produced approximately 1.1 million dekatherm of RNG through year-end 2018. The RNG is supplied to the vehicle fuel market generating renewable identification numbers (RINS) and low carbon fuel standard (LCFS) credits in California and Oregon. In calendar year 2018, the

Billings Landfill Plant produced approximately 1.86 million RINs and 3,250 LCFS credits.
Our utility companies received high scores in customer satisfaction. Cascade Natural Gas Corporation ranked first, Intermountain Gas Company second, and Montana-Dakota Utilities Co. third among West Region mid-sized natural gas utilities in the 2018 J.D. Power Gas Utility Residential Customer Satisfaction Survey.
We were recognized on the Thomson Reuters 2017 Top 25 Global Multiline Utilities list. The list recognizes companies that have demonstrated a commitment to energy leadership in these areas: financial, management and investor confidence, risk and resilience, legal compliance, innovation, people and social

sustainability,
environmental
impact, and
reputation.

Knife River Corporation produces and places warm-mix asphalt in applications where warm-mix asphalt is allowed. Warm-mix asphalt is produced at cooler temperatures than traditional hot-mix asphalt methods, which reduces the amount of fuel needed in the production process and thereby reduces emissions and fumes.
Knife River Corporation continued its practice of recycling and reusing building materials. This conserves natural resources, uses less energy, alleviates waste disposal problems in local landfills, and ultimately costs less for

the consumer. Our subsidiary, Bombard Renewable Energy, was ranked No. 13 on Solar Power World's 2018 Top 500 Solar Contractors List. The list ranks companies according to their influence in the U.S. solar industry based on how many kilowatts of solar generation they installed in 2017. The MDU Resources Foundation awarded grants of $1.68 million to educational and nonprofit institutions in 2018. Since its incorporation in 1983, the foundation has contributed more than $34 million to worthwhile causes in categories of education, civic and community activities, culture and arts, environmental stewardship, and health and human services. We encourage and support community volunteerism by our employees. The MDU Resources Foundation contributes a $500 grant to an eligible nonprofit organization after an employee volunteers a minimum of 25 hours to the organization during non-company hours during a calendar year. In 2018, the foundation granted $40,500 under this program, matching over 4,850 employee volunteer hours.

21% of 2018 Electricity Generated From Renewable Resources	Grants Awarded $1.68 Million in 2018	24% Reduction in CO_2 Intensity Since 2003

BOARD OF DIRECTORS

ITEM 1. ELECTION OF DIRECTORS

The board currently consists of eleven directors, all of whom, except Harry J. Pearce and William E. McCracken, are standing for election to the board at the 2019 Annual Meeting of Stockholders to hold office until the 2020 annual meeting and until their successors are duly elected and qualified. Mr. Pearce and Mr. McCracken will be retiring following the annual meeting in accordance with our retirement age limits. In February 2019, the board of directors determined to reduce the number of directors to ten effective with the 2019 annual meeting and has nominated Chenxi Wang as a new director nominee to stand for election to the board at the annual meeting.

The board has affirmatively determined that all the director nominees, other than David L. Goodin, our president and chief executive officer, are independent in accordance with New York Stock Exchange (NYSE) rules, our governance guidelines, and our bylaws.

Our bylaws provide for a majority voting standard for the election of directors. See "Additional Information - Majority Voting" below for further detail.

Each of the director nominees has consented to be named in this proxy statement and to serve as a director, if elected. We do not know of any reason why any nominee would be unable or unwilling to serve as a director, if elected. If, however, a nominee becomes unable to serve or will not serve, proxies may be voted for the election of such other person nominated by the board as a substitute or the board may further reduce the number of directors.

Information about each director nominee's share ownership is presented below under "Security Ownership."

The shares represented by the proxies received will be voted for the election of each of the ten nominees named below, unless you indicate in the proxy that your vote should be cast against any or all the director nominees or that you abstain from voting. Each nominee elected as a director will continue in office until his or her successor has been duly elected and qualified or until the earliest of his or her resignation, retirement, or death.

The ten nominees for election to the board at the 2019 annual meeting, all proposed by the board, are listed below with brief biographies.

The board of directors recommends that the stockholders vote FOR the election of each nominee.

Director Nominees

Thomas Everist	Independent Director Since 1995	Other Current Public Boards:
Age 69	Compensation Committee	--Raven Industries, Inc.

Mr. Everist has more than 44 years of business experience in the construction materials and aggregate mining industry. He has business leadership and management experience serving as president and chair of his companies for over 31 years. Mr. Everist also has experience serving as a director and chair of another public company, which enhances his contributions to our board.

Career Highlights

- President and chair of The Everist Company, Sioux Falls, South Dakota, an investment and land development company, since April 2002. Prior to January 2017, The Everist Company was engaged in aggregate, concrete, and asphalt production.
- Managing member of South Maryland Creek Ranch, LLC, a land development company; president of SMCR, Inc., an investment company, since June 2006; and managing member of MCR Builders, LLC, which provides residential building services to South Maryland Creek Ranch, LLC, since November 2014.
- Director and chair of the board of Everist Health, Inc., Ann Arbor, Michigan, which provides solutions for personalized medicines, since 2002, and chief executive officer from August 2012 to December 2012.
- President and chair of L.G. Everist, Inc., Sioux Falls, South Dakota, an aggregate production company, from 1987 to April 2002.

Other Leadership Experience

- Director of publicly traded Raven Industries, Inc., Sioux Falls, South Dakota, a general manufacturer of electronics, flow controls, and engineered films, since 1996, and chair from April 2009 to May 2017.
- Director of Showplace Wood Products, Inc., Sioux Falls, South Dakota, a custom cabinets manufacturer, since January 2000.
- Director of Bell, Inc., Sioux Falls, South Dakota, a manufacturer of folding cartons and packages, since April 2011.
- Director of Angiologix Inc., Mountain View, California, a medical diagnostic device company, from July 2010 through October 2011 when it was acquired by Everist Genomics, Inc.
- Member of the South Dakota Investment Council, the state agency responsible for prudently investing state funds, from July 2001 to June 2006.

Education

- Bachelor’s degree in mechanical engineering and a master’s degree in construction management from Stanford University.

Karen B. Fagg Age 65	Independent Director Since 2005 Compensation Committee Nominating and Governance Committee

Ms. Fagg brings experience to our board in construction and engineering, energy, and the responsible development of natural resources, which are all important aspects of our business. In addition to her industry experience, Ms. Fagg has over 20 years of business leadership and management experience, including over eight years as president, chief executive officer, and chair of her own company, as well as knowledge and experience acquired through her service on a number of Montana state and community boards.

Career Highlights

- Vice president of DOWL LLC, dba DOWL HKM, an engineering and design firm, from April 2008 until her retirement in December 2011.
- President of HKM Engineering, Inc., Billings, Montana, an engineering and physical science services firm, from April 1995 to June 2000, and chair, chief executive officer, and majority owner from June 2000 through March 2008. HKM Engineering, Inc. merged with DOWL LLC on April 1, 2008.
- Employed with MSE, Inc., Butte, Montana, an energy research and development company, from 1976 through 1988, and vice president of operations and corporate development director from 1993 to April 1995.
- Director of the Montana Department of Natural Resources and Conservation, Helena, Montana, the state agency charged with promoting stewardship of Montana’s water, soil, energy, and rangeland resources; regulating oil and gas exploration and production; and administering several grant and loan programs, for a four-year term from 1989 through 1992.

Other Leadership Experience

- Director of the Billings Catholic Schools Board from December 2011 through December 2018, including a term as chair; and director of St. Vincent’s Healthcare Board from October 2003 to October 2009 and from January 2016 to present, including a term as chair.
- Former member of several state and community boards, including the First Interstate BancSystem Foundation, from June 2013 to 2016; the Montana Justice Foundation, whose mission is to achieve equal access to justice for all Montanans through effective funding and leadership, from 2013 into 2015; Board of Trustees of Carroll College from 2005 through 2010; Montana

Board of Investments, the state agency responsible for prudently investing state funds, from 2002 through 2006; Montana State University's Advanced Technology Park from 2001 to 2005; and Deaconess Billings Clinic Health System from 1994 to 2002.

Education

- Bachelor's degree in mathematics from Carroll College in Helena, Montana.

David L. Goodin Director Since 2013

Age 57 President and Chief Executive Officer

As chief executive officer of MDU Resources Group, Inc., Mr. Goodin is the only officer of the company that serves on our board. With over 35 years of significant, hands-on experience at our company, Mr. Goodin's long history and deep knowledge and understanding of MDU Resources Group, Inc., its operating companies, and its lines of business bring continuity to the board. In addition, Mr. Goodin provides the board with valuable insight into management's views and perspectives, as well as the day-to-day operations of the company.

Career Highlights

- President and chief executive officer and a director of the company since January 4, 2013.
- Prior to January 4, 2013, served as chief executive officer and president of Intermountain Gas Company, Cascade Natural Gas Corporation, Montana-Dakota Utilities Co., and Great Plains Natural Gas Co.
- Began his career in 1983 at Montana-Dakota Utilities Co. as a division electrical engineer and served in positions of increasing responsibility until 2007 when he was named president of Cascade Natural Gas Corporation; positions included division electric superintendent, electric systems manager, vice president-operations, and executive vice president-operations and acquisitions.

Other Leadership Experience

- Member of the U.S. Bancorp Western North Dakota Advisory Board since January 2013.
- Director of Sanford Bismarck, an integrated health system dedicated to the work of health and healing, and Sanford Living Center, since January 2011.
- Former board member of several industry associations, including the American Gas Association, the Edison Electric Institute, the North Central Electric Association, the Midwest ENERGY Association, and the North Dakota Lignite Energy Council.

Education and Professional

- Bachelor of science degree in electrical and electronics engineering from North Dakota State University and a master's degree in business administration from the University of North Dakota.

- The Advanced Management Program at Harvard School of Business.
- Registered professional engineer in North Dakota.

Mark A. Hellerstein Independent Director Since 2013
Age 66 Audit Committee

Mr. Hellerstein has extensive business experience in the energy industry as a result of his 17 years of senior management experience and service as board chair of St. Mary Land & Exploration Company (now SM Energy Company). As a certified public accountant, on inactive status, with extensive financial experience as a result of his employment as chief financial officer with several companies, including public companies, Mr. Hellerstein contributes significant finance and accounting knowledge to our board and audit committee.

Career Highlights

- Chief executive officer of St. Mary Land & Exploration Company (now SM Energy Company), an energy company engaged in the acquisition, exploration, development, and production of crude oil, natural gas, and natural gas liquids, from 1995 until February 2007; president from 1992 until June 2006; and executive vice president and chief financial officer from 1991 until 1992. He was first elected to the board of St. Mary in 1992 and served as chair from 2002 until May 2009.
- Several positions prior to joining St. Mary in 1991, including chief financial officer of CoCa Mines Inc., which mined and extracted minerals from lands previously held by the public through the Bureau of Land Management; American Golf Corporation, which manages and owns golf courses in the United States; and Worldwide Energy Corporation, an oil and gas acquisition, exploration, development, and production company with operations in the United States and Canada.

Other Leadership Experience

- Director of Transocean Inc., a leading provider of offshore drilling services for oil and gas wells, from December 2006 to November 2007.
- Director of the Denver Children's Advocacy Center, whose mission is to provide a continuum of care for traumatized children and their families, from August 2006 until December 2011, including chair for the last three years.

Education and Professional

- Bachelor's degree in accounting from the University of Colorado.
- Certified public accountant, on inactive status.

Dennis W. Johnson
Age 69

Independent Director Since 2001 Vice Chair of the Board
Audit Committee
Nominating and Governance Committee

Mr. Johnson brings to our board over 44 years of experience in business management, manufacturing, and finance, holding positions as chair, president, and chief executive officer of TMI Corporation for 37 years, as well as through his prior service as a director of the Federal Reserve Bank of Minneapolis. As a result of his service on a number of state and local organizations in North Dakota, Mr. Johnson has significant knowledge of local, state, and regional issues involving North Dakota, a state where we have significant operations and assets.

Career Highlights

- Vice chair of the board of the company effective February 15, 2018.
- Chair, president, and chief executive officer of TMI Corporation, and chair and chief executive officer of TMI Transport Corporation, manufacturers of casework and architectural woodwork in Dickinson, North Dakota; employed since 1974 and serving as president or chief executive officer since 1982.

Other Leadership Experience

- Member of the Bank of North Dakota Advisory Board of Directors since August 2017.
- President of the Dickinson City Commission from July 2000 through October 2015.
- Director of the Federal Reserve Bank of Minneapolis from 1993 through 1998.
- Served on numerous industry, state, and community boards, including the North Dakota Workforce Development Council (chair); the Decorative Laminate Products Association; the North Dakota Technology Corporation; and the business advisory council of the Steffes Corporation, a metal manufacturing and engineering firm.
- Served on North Dakota Governor Sinner's Education Action Commission; the North Dakota Job Service Advisory Council; the North Dakota State University President's Advisory Council; North Dakota Governor Schafer's Transition Team; and chaired North Dakota Governor Hoeven's Transition Team.

Education

- Bachelor of science in electrical and electronics engineering and master of science in industrial engineering from North Dakota State University.

Proxy Statement

Patricia L. Moss Age 65	Independent Director Since 2003 Compensation Committee Nominating and Governance Committee	Other Current Public Boards: --First Interstate BancSystem, Inc. --Aquila Group of Funds

Ms. Moss has business experience and knowledge of the Pacific Northwest economy and state, local, and regional issues where a significant portion of our operations are located. Ms. Moss provides our board with experience in finance and banking, as well as experience in business development through her work at Cascade Bancorp and Bank of the Cascades, and on the Oregon Investment Fund Advisory Council, the Oregon Business Council, and the Oregon Growth Board. Ms. Moss also has experience as a certified senior professional in human resources.

Career Highlights

- President and chief executive officer of Cascade Bancorp, a financial holding company, Bend, Oregon, from 1998 to January 3, 2012; chief executive officer of Cascade Bancorp's principal subsidiary, Bank of the Cascades, from 1998 to January 3, 2012, serving also as president from 1998 to 2003; and chief operating officer, chief financial officer and secretary of Cascade Bancorp from 1987 to 1998.

Other Leadership Experience

- Member of the Oregon Investment Council, which oversees the investment and allocation of all state of Oregon trust funds, since December 2018.
- Director of First Interstate BancSystem, Inc., since May 30, 2017.
- Director of Cascade Bancorp and Bank of the Cascades from 1993, and vice chair from January 3, 2012 until May 30, 2017 when Cascade Bancorp merged into First Interstate BancSystem, Inc., and became First Interstate Bank.
- Chair of the Bank of the Cascades Foundation Inc. from 2014 to July 31, 2018; co-chair of the Oregon Growth Board, a state board created to improve access to capital and create private-public partnerships, from May 2012 through December 2018; and a member of the Board of Trustees for the Aquila Group of Funds, whose core business is mutual fund management and provision of investment strategies to fund shareholders, from January 2002 to May 2005 (one fund) and from June 2015 to present (currently three funds).
- Former director of the Oregon Investment Fund Advisory Council, a state-sponsored program to encourage the growth of small businesses in Oregon; the Oregon Business Council, with a mission to mobilize business leaders to contribute to Oregon's quality of life and economic prosperity; the North Pacific Group, Inc., a wholesale distributor of building materials, industrial, and hardwood products; Clear Choice Health Plans Inc., a multi-state insurance company; and City of Bend's Juniper Ridge management advisory board.

Education

- Bachelor of science in business administration from Linfield College in Oregon and master's studies at Portland State University.
- Commercial banking school certification at the ABA Commercial Banking School at the University of Oklahoma.

Edward A. Ryan Age 65	Independent Director Since 2018 Audit Committee Nominating and Governance Committee

Mr. Ryan, through his position as executive vice president and general counsel at Marriott International, Inc., brings extensive experience to our board in acquisitions, contracts, compliance, legal matters, SEC reporting, and labor relations. Mr. Ryan’s experience significantly contributes to the board’s oversight of compliance and corporate governance.

Career Highlights

- Advisor to the chief executive officer and president of Marriott International from December 2017 to December 31, 2018.
- Executive vice president and general counsel of Marriott International from December 2006 to December 2017; senior vice president and associate general counsel from 1999 to November 2006; assumed responsibility for all corporate transactions and corporate governance in 2005; and joined Marriott International as assistant general counsel in May 1996.
- Private law practice from 1979 to 1996.

Other Leadership Experience

- Director of Goodwill of Greater Washington, D.C., a non-profit organization whose mission is to transform lives and communities through education and employment, since January 2015, as well as vice chair since January 2019 and chair of the finance committee since January 2018.

Education

- Juris doctor degree from the University of Pennsylvania Law School.
- Bachelor’s degree in economics and international relations from the University of Pennsylvania.

Proxy Statement

David M. Sparby Independent Director Since 2018
Age 64 Audit Committee

Mr. Sparby has over 32 years of broad public utility experience through his positions as senior vice president and group president, revenue, of Xcel Energy Inc., president and chief executive officer of its subsidiary, Northern States Power-Minnesota (NSP Minnesota), and chief financial officer of Xcel Energy. Mr. Sparby's public utility and renewable energy expertise contributes to the board's knowledge of the public utility and natural gas pipeline industries.

Career Highlights

- Senior vice president and group president, revenue, of Xcel Energy and president and chief executive officer of its subsidiary, NSP-Minnesota, from May 2013 until his retirement in December 2014; senior vice president and group president, from September 2011 to May 2013; chief financial officer from March 2009 to September 2011; and president and chief executive officer of NSP-Minnesota from 2008 to March 2009. He joined Xcel Energy, or its predecessor Northern States Power Company, as an attorney in 1982 and held positions of increasing responsibility.
- Attorney with the State of Minnesota, Office of Attorney General, from 1980 to 1982, during which period his responsibilities included representation of the Department of Public Service and the Minnesota Public Utilities Commission.

Other Leadership Experience

- Board of Trustees of Mitchell Hamline School of Law since July 2011, including executive committee and committee chair positions.
- Board of Trustees of the College of St. Scholastica since July 2012, including vice chair and executive committee positions.

Education

- Juris doctor degree from William Mitchell College of Law.
- Bachelor's degree in history from College of St. Scholastica and a master's degree in business administration from University of St. Thomas.

Chenxi Wang Independent Director Nominee
Age 49

Ms. Wang has extensive technology and cybersecurity expertise through her experience, including founder and managing general partner of Rain Capital Fund, L.P., chief strategy officer at Twistlock, vice president, cloud security & strategy at Ciphercloud, and vice president, strategy and market intelligence at Intel Security. She is a sought-after public speaker on issues of technology and cybersecurity.

Career Highlights

- Founder and managing general partner of Rain Capital Fund, L.P., a cybersecurity-focused venture fund aiming to fund early-stage, transformative technology innovations in the security market with a goal of supporting women and minority entrepreneurs, since December 2017.
- Chief strategy officer at Twistlock, an automated and scalable cloud native cybersecurity platform, from August 2015 to February 2017.
- Vice president, cloud security & strategy of CipherCloud, a cloud security software company, from January 2015 to August 2015.
- Vice president of strategy of Intel Security, a company focused on developing proactive, proven security solutions and services that protect systems, networks, and mobile devices, from April 2013 to January 2015.
- Principal analyst and vice president of research at Forrester Research, a market research company that provides advice on existing and potential impact of technology, from January 2007 to April 2013.
- Assistant research professor and associate professor of computer engineering at Carnegie Mellon University from September 2001 through August 2007.

Other Leadership Experience

- Board of directors of OWASP Global Foundation, a nonprofit global community that drives visibility and evolution in the safety and security of the world's software, since January 2018 and vice chair from January 2018 to December 2018.
- Board of advisors of Keyp GmbH, a Munich-based software company with a mission to provide enterprises convenient access to the digital identity ecosystem, since December 2017.
- Program co-chair (security and privacy track) for the Grace Hopper Conference 2016 and

2017, the world's largest gathering of women in computing.

Education

- Doctor of Philosophy (Ph.D.) in computer science from University of Virginia.
- Bachelor's degree in computer science from Lock Haven University of Pennsylvania.

Proxy Statement

John K. Wilson Independent Director Since 2003
Age 64 Audit Committee

Mr. Wilson has an extensive background in finance and accounting, as well as experience with mergers and acquisitions, through his education and work experience at a major accounting firm and his later public utility experience in his positions as controller and vice president of Great Plains Natural Gas Co., president of Great Plains Energy Corp., and president, chief financial officer, and treasurer for Durham Resources, LLC, and all Durham Resources entities. Mr. Wilson contributes business management and public utility knowledge to our board.

Career Highlights

- President of Durham Resources, LLC, a privately held financial management company, in Omaha, Nebraska, from 1994 to December 31, 2008; president of Great Plains Energy Corp., a public utility holding company and an affiliate of Durham Resources, LLC, from 1994 to July 1, 2000; and vice president of Great Plains Natural Gas Co., an affiliate company of Durham Resources, LLC, until July 1, 2000.
- Executive director of the Robert B. Daugherty Foundation in Omaha, Nebraska, since January 2010.
- Held positions of audit manager at Peat, Marwick, Mitchell (now known as KPMG), controller for Great Plains Natural Gas Co., and chief financial officer and treasurer for all Durham Resources entities.

Other Leadership Experience

- Director of HDR, Inc., an international architecture and engineering firm, since December 2008; and director of Tetrad Corporation, a privately held investment company, since April 2010, both located in Omaha, Nebraska.
- Former director of Bridges Investment Fund, Inc., a mutual fund, from April 2003 to April 2008; director of the Greater Omaha Chamber of Commerce from January 2001 through December 2008; member of the advisory board of U.S. Bank NA Omaha from January 2000 to July 2010; and the advisory board of Duncan Aviation, an

aircraft service provider, headquartered in Lincoln, Nebraska, from January 2010 to February 2016.

Education and Professional

- Bachelor's degree in business administration, cum laude, from the University of Nebraska – Omaha.
- Certified public accountant, on inactive status.

Additional Information - Majority Voting

A majority of votes cast is required to elect a director in an uncontested election. A majority of votes cast means the number of votes cast "for" a director's election must exceed the number of votes cast "against" the director's election. "Abstentions" and "broker non-votes" do not count as votes cast "for" or "against" the director's election. In a contested election, which is an election in which the number of nominees for director exceeds the number of directors to be elected and which we do not anticipate, directors will be elected by a plurality of the votes cast.

Unless you specify otherwise when you submit your proxy, the proxies will vote your shares of common stock "for" all directors nominated by the board of directors. If a nominee becomes unavailable for any reason or if a vacancy should occur before the election, which we do not anticipate, the proxies will vote your shares in their discretion for another person nominated by the board.

Our policy on majority voting for directors contained in our corporate governance guidelines requires any proposed nominee for re-election as a director to tender to the board, prior to nomination, his or her irrevocable resignation from the board that will be effective, in an uncontested election of directors only, upon:

- receipt of a greater number of votes "against" than votes "for" election at our annual meeting of stockholders; and
- acceptance of such resignation by the board of directors.

Following certification of the stockholder vote, the nominating and governance committee will promptly recommend to the board whether or not to accept the tendered resignation. The board will act on the nominating and governance committee's recommendation no later than 90 days following the date of the annual meeting.

Brokers may not vote your shares on the election of directors if you have not given your broker specific instructions on how to vote. Please be sure to give specific voting instructions to your broker so your vote can be counted.

Board Evaluations and Process for Selecting Directors

In the annual board evaluation process, the nominating and governance committee evaluates our directors considering the current needs of the board and the company. In addition, during the year, the committee discusses board succession and reviews potential candidates. The committee may also retain a third party to assist in identifying potential nominees; none were retained in 2018.

Our annual board evaluation process involves assessments at the board and board committee levels. These annual evaluations are conducted by the chair of the nominating and governance committee and periodically by an independent third party.

Our governance guidelines provide that directors are not eligible to be nominated or appointed to the board if they are 76 years or older at the time of the election or appointment. Term limits on directors’ service have not been instituted.

Director Qualifications, Skills, and Experience

Director nominees are chosen to serve on the board based on their qualifications, skills, and experience, as discussed in their biographies, and how those characteristics supplement the resources and talent on the board and serve the current needs of the board and the company.

In making its nominations, the nominating and governance committee also assesses each director nominee by a number of key characteristics, including character, success in a chosen field of endeavor, background in publicly traded companies, independence, and willingness to commit the time needed to satisfy the requirements of board and committee membership. Although the committee has no formal policy regarding diversity, the committee also considers diversity in gender, ethnic background, geographic area of residence, skills, and professional experience in recommending director nominees.

The following shows core specialized competencies and other characteristics of the director nominees.

Board Composition and Refreshment

The nominating and governance committee is focused on ensuring that the board reflects a diversity of experience, skills, and backgrounds. Each of the current directors, other than Harry J. Pearce and William E. McCracken, has been nominated for election to the board of directors upon recommendation by the nominating and governance committee and each has decided to stand for election. Messrs. Pearce and McCracken were not eligible for re-election under the company’s age limit policy that provides no individual is eligible for election to the board of directors after his or her 76th birthday.

With the retirement of former board member A. Bart Holaday at the annual meeting in May 2018 and Harry J. Pearce and William E. McCracken reaching our board retirement age limit and retiring from the board at our 2019 annual meeting, the committee identified qualified diverse director candidates with commensurate experience and background as replacement board members.

In evaluating the board retirements and current needs of the board and the company, the nominating and governance committee focused on identifying board candidates that would add gender diversity to the board as well as background and core competencies in the fields of regulated energy delivery, technology and cybersecurity, and public company governance. Potential director nominees were brought to the attention of the nominating and governance committee by board members, management, organizations, and database searches.

In 2018, the nominating and governance committee identified a need for additional expertise in the operation of electric and natural gas utilities and natural gas transmission pipelines. At December 31, 2018, approximately 66% of our capital was invested in these business segments which generated approximately 28% of our 2018 revenues. After serving in several positions during his 32-year career with Xcel Energy, including chief financial officer, and most recently as senior vice president, revenue group, and chief executive officer of its subsidiary, Northern States Power-Minnesota, David M. Sparby brings a vast amount of experience related to the electric and natural gas distribution and pipeline industries. Mr. Sparby was appointed to the board of directors on August 16, 2018.

With the anticipated retirement of Harry J. Pearce, the nominating and governance committee identified a director nominee with extensive risk management and public company governance experience. Prior to his retirement in 2017, Edward A. Ryan served as executive vice president and general counsel for Marriott International, Inc. where his responsibilities included chair of the company’s legal and ethical steering and enterprise crisis management committees. Mr. Ryan was appointed to the board of directors on November 15, 2018.

With the anticipated retirement of William E. McCracken, the nominating and governance committee identified a director nominee that would bring diversity as well as technology and cybersecurity expertise to the board. Chenxi Wang has held positions with various organizations related to technology and security software and is a frequent speaker on issues of technology and cybersecurity. She is currently the founder and general partner of Rain Capital Fund, L.P., an early stage venture capital firm focused on cybersecurity innovation and artificial intelligence for its clients and the promotion of women entrepreneurs. Ms. Wang also provides gender, ethnic, age, and geographic diversity to the board.

By tenure, if the nominees are elected, the board will comprise of three directors who have served from 0-4 years, two directors who have served from 5-10 years, and five directors who have served over 11 years. This mix provides a balance of experience and institutional knowledge with fresh perspectives.

CORPORATE GOVERNANCE AND THE BOARD OF DIRECTORS

Director Independence

The board of directors has adopted guidelines on director independence that are included in our corporate governance guidelines. Our guidelines require that a substantial majority of the board consists of independent directors. In general, the guidelines require that an independent director must have no material relationship with the company directly or indirectly, except as a director. The board determines independence on the basis of the standards specified by the New York Stock Exchange (NYSE), the additional standards referenced in our corporate governance guidelines, and other facts and circumstances the board considers relevant. Based on its review, the board has determined that all directors and director nominees, except for our chief executive officer Mr. Goodin, have no material relationship with us and are independent.

In determining director independence, the board of directors reviewed and considered information about any transactions, relationships, and arrangements between the non-employee directors and director nominees and their immediate family members and affiliated entities on the one hand, and the company and its affiliates on the other, and in particular the following transactions, relationships, and arrangements:

- Charitable contributions by the MDU Resources Foundation (Foundation) to nonprofit organizations where a director, a director nominee, or their spouse, serves or has served as a director, chair, or vice chair of the board of trustees, trustee or member of the organization or related entity: Charitable contributions by the Foundation to four nonprofit organizations that collectively amounted to $27,500 in 2018. None of the contributions made to any of the nonprofit entities exceeded the greater of $1 million or 2% of the relevant entity's consolidated gross revenues.

- Business relationships with entities with which a director or director nominee is affiliated: Mr. Wilson is a member of the board of directors of HDR, Inc., an architectural, engineering, environmental, and consulting firm. The company paid HDR, Inc. or its affiliates approximately $1 million in 2018 directly or through a third party for services which were provided in the ordinary course of business and on substantially the same terms prevailing for comparable services from other consulting firms. Mr. Wilson had no role in securing or promoting the HDR, Inc. services.

The board has also determined that all members of the audit, compensation, and nominating and governance committees of the board are independent in accordance with our guidelines and applicable NYSE and Securities Exchange Act of 1934 rules.

Stockholder Engagement

The company has an active stockholder outreach program. We believe in providing transparent and timely information to our investors. Each year we routinely engage directly or indirectly with our stockholders, including our top institutional stockholders. During 2018, the company held meetings, conference calls, and webcasts with a diverse mix of stockholders. Throughout the year, we held meetings or telephone conferences with eleven of the institutional investors included in our year-end top 30 stockholders. In our meetings or conferences, we discussed a variety of topics including longer-term company strategy and our capital expenditure forecast; shorter-term operational and financial updates; environmental, social, and corporate governance; and previously announced strategic initiatives. The company also held telephone conferences with a proxy advisory firm to discuss corporate governance, executive compensation practices, and other topics.

Board Leadership Structure

The board separated the positions of chair of the board and chief executive officer in 2006, and our bylaws and corporate governance guidelines currently require that our chair be independent. The board believes this structure provides balance and is currently in the best interest of the company and its stockholders. Separating these positions allows the chief executive officer to focus on the full-time job of running our business, while allowing the chair of the board to lead the board in its fundamental role of providing advice to and independent oversight of management. The chair meets regularly between board meetings with the chief executive officer and consults with the chief executive officer regarding the board meeting agendas, the quality and flow of information provided to the board, and the effectiveness of the board meeting process. The board believes this split structure recognizes the time, effort, and energy the chief executive officer is required to devote to the position in the current business environment, as well as the commitment required to serve as the chair, particularly as the board’s oversight responsibilities continue to grow and demand more time and attention. The fundamental role of the board of directors is to provide oversight of the management of the company in good faith and in the best interests of the company and its stockholders. Having an independent chair is a means to ensure the chief executive officer is accountable for managing the company in close alignment with the interests of stockholders, including with respect to risk management as discussed below. An independent chair is in a position to encourage frank and lively discussions, including during regularly scheduled executive sessions consisting of only independent directors, and to assure that the company has adequately assessed all appropriate business risks before adopting its final business plans and strategies. The board believes that having separate positions and having an independent outside director serve as chair is the appropriate leadership structure for the company at this time and demonstrates our commitment to good corporate governance. With the retirement of Mr. Pearce at the annual meeting, the board will elect a new independent chair at its May board meeting.

Board's Role in Risk Oversight

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including economic risks, operational risks, environmental and regulatory risks, the impact of competition, climate and weather conditions, limitations on our ability to pay dividends, pension plan obligations, cyberattacks or acts of terrorism, and third party liabilities. Management is responsible for identifying material risks, implementing appropriate risk management strategies, and providing information regarding material risks and risk management to the board. The board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the board of directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate for identifying, assessing, and managing risk.

The board believes establishing the right "tone at the top" and full and open communication between management and the board of directors are essential for effective risk management and oversight. Our chair meets regularly with our chief executive officer to discuss strategy and risks facing the company. Senior management attends the quarterly board meetings and is available to address any questions or concerns raised by the board on risk management-related and any other matters. Each quarter, the board of directors receives presentations from senior management on strategic matters involving our operations. Senior management annually presents an assessment to the board of critical enterprise risks that threaten the company's strategy and business model, including risks inherent in the key assumptions underlying the company's business strategy for value creation. Periodically, the board receives presentations from external experts on matters of strategic importance to the board. In 2018, the board heard presentations from external experts regarding climate change and its risks and opportunities, oil and natural gas exploration in the Bakken geological formation in North Dakota, and projected natural gas processing and transportation needs in North Dakota. At least annually, the board holds strategic planning sessions with senior management to discuss strategies, key challenges, and risks and opportunities for the company.

The company has also developed a robust compliance program to promote a culture of compliance, consistent with the right tone at the top, to mitigate risk. The program includes training and adherence to our code of conduct and legal compliance guide. We further mitigate risk through our internal audit and legal departments.

While the board is ultimately responsible for risk oversight at our company, our three standing board committees assist the board in fulfilling its oversight responsibilities in certain areas of risk.

- The audit committee assists the board in fulfilling its oversight responsibilities with respect to risk management in a general manner and specifically in the areas of financial reporting, internal controls, cybersecurity, and compliance with legal and regulatory requirements, and, in accordance with NYSE requirements, discusses with the board policies with respect to risk assessment and risk management and their adequacy and effectiveness. The audit committee receives regular reports on the company's compliance program, including reports received through our anonymous reporting hot line. It also receives reports and regularly meets with the company's external and internal auditors. During each of its quarterly meetings in 2018, the audit committee received presentations from management on cybersecurity and the company's mitigation of cybersecurity risks. The entire board was present for these presentations. Risk assessment and mitigation reports are regularly provided by management to the audit committee or the full board. This opens the opportunity for discussions about areas where the company may have material risk exposure, steps taken to manage such exposure, and the company's risk tolerance in relation to company strategy. The audit committee reports regularly to the board of directors on the company's management of risks in the audit committee's areas of responsibility.
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- The compensation committee assists the board in fulfilling its oversight responsibilities with respect to the management of risks arising from our compensation policies and programs.
- The nominating and governance committee assists the board in fulfilling its oversight responsibilities with respect to the management of risks associated with board organization, membership and structure, succession planning for our directors and executive officers, and corporate governance.

Board Meetings and Committees

During 2018, the board of directors held four regular meetings and two special meetings. Each director attended at least 75% of the combined total meetings of the board and the committees on which the director served during 2018 (held during the period he or she has been a director). Directors are encouraged to attend our annual meeting of stockholders. All directors attended our 2018 Annual Meeting of Stockholders.

Proxy Statement

The non-employee directors meet in executive session at each regularly scheduled quarterly board of directors meeting. The chair of the board presides at the executive session of the non-employee directors held in connection with each regularly scheduled quarterly board of directors meeting.
The board has standing audit, compensation, and nominating and governance committees. The table below provides current committee membership.

Name	Audit Committee	Compensation Committee	Nominating and Governance Committee
Thomas Everist		C	
Karen B. Fagg			C
Mark A. Hellerstein			
Dennis W. Johnson	C		
William E. McCracken			
Patricia L. Moss			
Edward A. Ryan			
David M. Sparby			
John K. Wilson			

C - Chair
- Member

Below is a description of each standing committee of the board. The board has affirmatively determined that each of these standing committees consists entirely of independent directors pursuant to rules established by the NYSE, rules promulgated under the Securities and Exchange Commission (SEC), and the director independence standards established by the board. The board has also determined that each member of the audit committee and the compensation committee is independent under the criteria established by the NYSE and the SEC for audit committee and compensation committee members, as applicable.

Nominating and Governance Committee Met Six Times in 2018

The nominating and governance committee met six times during 2018. The committee members are Karen B. Fagg, chair, Dennis W. Johnson, William E. McCracken, Patricia L. Moss, and Edward A. Ryan.
The nominating and governance committee provides recommendations to the board with respect to:

- board organization, membership, and function;
- committee structure and membership;
- succession planning for our executive management and directors; and
- our corporate governance guidelines.

The nominating and governance committee assists the board in overseeing the management of risks in the committee's areas of responsibility.
The committee identifies individuals qualified to become directors and recommends to the board the nominees for director for the next annual meeting of stockholders. The committee also identifies and recommends to the board individuals qualified to become our principal officers and the nominees for membership on each board committee. The committee oversees the evaluation of the board and management.

In identifying nominees for director, the committee consults with board members, management, consultants, and other individuals likely to possess an understanding of our business and knowledge concerning suitable director candidates. Our corporate governance guidelines include our policy on consideration of director candidates recommended to us. We will consider candidates that our stockholders recommend in the same manner we consider other nominees. Stockholders who wish to recommend a director candidate may submit recommendations, along with the information set forth in the guidelines, to the nominating and governance committee chair in care of the secretary at MDU Resources Group, Inc., P.O. Box 5650, Bismarck, ND 58506-5650.

Proxy Statement

Stockholders who wish to nominate persons for election to our board at an annual meeting of stockholders must follow the applicable procedures set forth in Section 2.08 or 2.10 of our bylaws. Our bylaws are available on our website. See "Stockholder Proposals, Director Nominations, and Other Items of Business for 2020 Annual Meeting" in the section entitled "Information about the Annual Meeting" for further details.

In evaluating director candidates, the committee, in accordance with our corporate governance guidelines, considers an individual's:

- background, character, and experience, including experience relative to our company's lines of business;
- skills and experience which complement the skills and experience of current board members;
- success in the individual's chosen field of endeavor;
- skill in the areas of accounting and financial management, banking, business management, human resources, marketing, operations, public affairs, law, technology, risk management, governance, and operations abroad;
- background in publicly traded companies including service on other public company boards of directors;
- geographic area of residence;
- diversity of business and professional experience, skills, gender, and ethnic background, as appropriate in light of the current composition and needs of the board;
- independence, including any affiliation or relationship with other groups, organizations, or entities; and
- compliance with applicable law and 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 the company.

In addition, our bylaws contain requirements that a person must meet to qualify for service as a director.

The nominating and governance committee assesses the effectiveness of this policy annually in connection with the nomination of directors for election at the annual meeting of stockholders. The composition of the current board and the board nominees reflects diversity in business and professional experience, skills, ethnicity, gender, and geography.

Audit Committee Met Eight Times in 2018

The audit committee is a separately-designated committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934.

The audit committee met eight times during 2018. The audit committee members are Dennis W. Johnson, chair, Mark A. Hellerstein, Edward A. Ryan, David M. Sparby, and John K. Wilson. The board of directors has determined that Messrs. Johnson, Hellerstein, Sparby, and Wilson are "audit committee financial experts" as defined by SEC rules and all audit committee members are financially literate within the meaning of the listing standards of the NYSE. All members also meet the independence standard for audit committee members under our director independence guidelines, the NYSE listing standards, and SEC rules.

The audit committee assists the board of directors in fulfilling its oversight responsibilities to the stockholders and serves as a communication link among the board, management, the independent registered public accounting firm, and the internal auditors. The audit committee:

- assists the board's oversight of
  - the integrity of our financial statements and system of internal controls;
  - the company's compliance with legal and regulatory requirements and the code of conduct;
  - the independent registered public accounting firm's qualifications and independence;
  - the performance of our internal audit function and independent registered public accounting firm;
  - management of risk in the audit committee's areas of responsibility; and
- arranges for the preparation of and approves the report that SEC rules require we include in our annual proxy statement. See the section entitled "Audit Committee Report" for further information.

Compensation Committee Met Four Times in 2018

During 2018, the compensation committee met four times. The compensation committee consists entirely of independent directors within the meaning of the company's corporate governance guidelines and the NYSE listing standards and who meet the definitions of non-employee directors for purposes of Rule 16-b under the Exchange Act. Members of the compensation committee are Thomas Everist, chair, Karen B. Fagg, William E. McCracken, and Patricia L. Moss.

The compensation committee assists the board of directors in fulfilling its responsibilities relating to the company's compensation policy and programs. It has the direct responsibility for determining compensation for our Section 16 officers and for overseeing the company's management of risk in its areas of responsibility. In addition, the compensation committee reviews and recommends any changes to director compensation policies to the board of directors. The authority and responsibility of the compensation committee is outlined in the compensation committee's charter.

The compensation committee uses the analysis and recommendations from outside consultants, the chief executive officer, and the human resources department in making its compensation decisions. The chief executive officer, the vice president-human resources, and the general counsel regularly attend compensation committee meetings. The committee meets in executive session as needed. The processes and procedures for consideration and determination of compensation of the Section 16 officers, as well as the role of our executive officers, are discussed in the "Compensation Discussion and Analysis."

The compensation committee has sole authority to retain compensation consultants, legal counsel, or other advisers to assist in consideration of the compensation of the chief executive officer, the other Section 16 officers, and the board of directors, and the committee is directly responsible for the appointment, compensation, and oversight of the work of such advisers. The compensation committee's practice has been to retain a compensation consultant every other year to conduct a competitive analysis on executive compensation. The competitive analysis is conducted internally by the human resources department in the other years. In 2018, the compensation committee retained a compensation consultant, Meridian Compensation Partners, LLC, to conduct a competitive analysis on executive compensation for 2019. Prior to retaining an adviser, the compensation committee considers all factors relevant to ensure the adviser's independence from management. Annually the compensation committee conducts a potential conflicts of interest assessment raised by the work of any compensation consultant and how such conflicts, if any, should be addressed. The compensation committee requested and received information from Meridian Compensation Partners, LLC to assist in its potential conflicts of interest assessment. Based on its review and analysis, the compensation committee determined in 2018 that Meridian Compensation Partners, LLC was independent from management.

The board of directors determines compensation for our non-employee directors based upon recommendations from the compensation committee. The compensation committee's practice has been to retain a compensation consultant every other year to conduct a competitive analysis on director compensation. In 2018, the analysis of non-employee director compensation was performed by the human resources department. Meridian Compensation Partners, LLC will conduct the analysis in 2019.

Compensation Policies and Practices as They Relate to Risk Management

The human resources department has conducted an assessment of the risks arising from our compensation policies and practices for all employees and concluded that none of these risks is reasonably likely to have a material adverse effect on the company. Based on the human resources department's assessment and taking into account information received from the risk identification process, senior management and our management policy committee concluded that risks arising from our compensation policies and practices are not reasonably likely to have a material adverse effect on the company. After review and discussion with senior management, the compensation committee concurred with this assessment.

As part of its assessment of the risks arising from our compensation policies and practices, the human resources department identified the principal areas of risk faced by the company that may be affected by our compensation policies and practices, including any risks resulting from our operating businesses' compensation policies and practices. In assessing the risks arising from our compensation policies and practices, the human resources department identified the following practices designed to prevent excessive risk taking:

- Business management and governance practices:
  - risk management is a specific performance competency included in the annual performance assessment of Section 16 officers;
  - board oversight on capital expenditure and operating plans promotes careful consideration of financial assumptions;

- limitation on business acquisitions without board approval;
- employee integrity training programs and anonymous reporting systems;
- quarterly risk assessment reports at audit committee meetings; and
- prohibitions on holding company stock in an account that is subject to a margin call, pledging company stock as collateral for a loan, and hedging of company stock by Section 16 officers and directors.

- Executive compensation practices:
  - active compensation committee review of executive compensation, including portions of executive compensation based upon the company's total stockholder return in relation to that of the company's peer group;
  - the initial determination of a position's salary grade to be at or near the 50th percentile of base salaries paid to similar positions at peer group companies and/or relevant industry companies;
  - consideration of peer group and/or relevant industry practices to establish appropriate compensation target amounts;
  - a balanced compensation mix of fixed salary and annual and long-term incentives tied primarily to the company's financial and stock performance;
  - use of interpolation for annual and long-term incentive awards to avoid payout cliffs;
  - negative discretion to adjust any annual incentive award payment downward;
  - use of caps on annual incentive awards (maximum of 200% for regulated segments and 240% for construction materials and services segments) and long-term incentive stock grant awards (200% of target);
  - ability to clawback incentive payments in the event of a financial restatement;
  - use of performance shares and restricted stock units, rather than stock options or stock appreciation rights, as an equity component of incentive compensation;
  - use of performance shares for long-term incentive awards with relative total stockholder return, earnings before interest, taxes, depreciation, and amortization (EBITDA) growth, and earnings growth performance components;
  - use of three-year performance periods for long-term incentive awards to discourage short-term risk-taking;
  - substantive annual incentive goals measured primarily by earnings, EBITDA, and earnings per share criteria, which encourage balanced performance and are important to stockholders;
  - use of financial performance metrics that are readily monitored and reviewed;
  - regular review of the appropriateness of the companies in the peer group;
  - stock ownership requirements for the board and for executives receiving long-term incentive awards;
  - mandatory holding periods for 50% of any net after-tax shares earned under long-term incentive awards; and
  - use of independent consultants to assist in establishing pay targets and compensation structure at least biennially.

Stockholder Communications with the Board

Stockholders and other interested parties who wish to contact the board of directors or any individual director, including our non-employee chair or non-employee directors as a group, should address a communication in care of the secretary at MDU Resources Group, Inc., P.O. Box 5650, Bismarck, ND 58506-5650. The secretary will forward all communications.

Additional Governance Features

Board and Committee Evaluations

Our corporate governance guidelines provide that the board of directors, in coordination with the nominating and governance committee, will annually review and evaluate the performance and functioning of the board and its committees. The self-evaluations are intended to facilitate a candid assessment and discussion by the board and each committee of its effectiveness as a group in fulfilling its responsibilities, its performance as measured against the corporate governance guidelines, and areas for improvement. The board and committee members are provided with a questionnaire to facilitate discussion. The results of the evaluations are reviewed and discussed in executive sessions of the committees and the board of directors.

Director Resignation Upon Change of Job Responsibility

Our corporate governance guidelines require a director to tender his or her resignation after a material change in job responsibility. In 2018, no directors or director nominees submitted resignations under this requirement.

Majority Voting in Uncontested Director Elections

Our corporate governance guidelines require that in uncontested elections (those where the number of nominees does not exceed the number of directors to be elected), director nominees must receive the affirmative vote of a majority of the votes cast to be elected to our board of directors. Contested director elections (those where the number of director nominees exceeds the number of directors to be elected) are governed by a plurality of the vote of shares present in person or represented by proxy at the meeting.

The board has adopted a director resignation policy for incumbent directors in uncontested elections. 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 our annual meeting of stockholders; and (ii) acceptance of such resignation by the board of directors.

Director Overboarding Policy

Our bylaws and corporate governance guidelines state that a director may not serve on more than three public company boards, including the company's board. Currently, all of our directors are in compliance of this policy.

Board Refreshment

The company regularly evaluates the need for board refreshment. The nominating and governance committee and the board are focused on identifying individuals whose skills and experiences will enable them to make meaningful contributions to shaping the company's business strategy. As part of its consideration of director succession, the nominating and governance committee from time to time reviews, including when considering potential candidates, the appropriate skills and characteristics required of board members. The board believes it is important to consider diversity of skills, expertise, race, ethnicity, gender, age, education, geography, cultural background, and professional experiences in evaluating board candidates for expected contributions to an effective board. Independent directors may not serve on the board beyond the next annual meeting of stockholders after attaining the age of 76. We believe the mandatory retirement age allows us to benefit from experienced directors, with industry expertise, company institutional knowledge and historical perspective, stability, and comfort with challenging company management, while maintaining our ability to refresh the board through the addition of new members. In connection with our mandatory retirement for directors, Harry J. Pearce and William E. McCracken will retire as directors at the completion of their current term following the 2019 annual meeting.

Prohibitions on Hedging/Pledging Company Stock

The director compensation policy prohibits directors from hedging their ownership of common stock, pledging company stock as collateral for a loan, or holding company stock in an account that is subject to a margin call.

Code of Conduct

We have a code of conduct and ethics, which we refer to as the Leading With Integrity Guide. It applies to all directors, officers, and employees.

We intend to satisfy our disclosure obligations regarding amendments to, or waivers of, any provision of the code of conduct that applies to our principal executive officer, principal financial officer, and principal accounting officer and that relates to any element of the code of ethics definition in Regulation S-K, Item 406(b), and waivers of the code of conduct for our directors or executive officers, as required by NYSE listing standards, by posting such information on our website.

Proxy Access

In February 2018, the board of directors amended our bylaws to implement proxy access with the following parameters:

Ownership Threshold:	3% of outstanding shares of our common stock
Nominating Group Size:	Up to 20 stockholders may combine to reach the 3% ownership threshold
Holding Period:	Continuously for three years
Number of Nominees:	The greater of two nominees or 20% of our board

We believe these proxy access parameters reflect a well designed and balanced approach to proxy access that mitigates the risk of abuse and protects the interests of all of our stockholders. Stockholders who wish to nominate directors for inclusion in our Proxy Statement in accordance with proxy access must follow the procedures in Section 2.10 of our bylaws. See "Stockholder Proposals, Director Nominations, and Other Items of Business for 2020 Annual Meeting."

Corporate Governance Materials

Stockholders can see our bylaws, corporate governance guidelines, board committee charters, and Leading With Integrity Guide on our website.

Corporate Governance Materials	Website
• Bylaws	http://www.mdu.com/governance
• Corporate Governance Guidelines	http://www.mdu.com/governance
• Board Committee Charters for the Audit, Compensation, and Nominating and Governance Committees	http://www.mdu.com/governance
• Leading With Integrity Guide	http://www.mdu.com/commitmenttointegrity

Related Person Transaction Disclosure

The board of directors' policy for the review of related person transactions is contained in our corporate governance guidelines. The policy requires the audit committee to review any transaction, arrangement or relationship, or series thereof:

- in which the company was or will be a participant;
- the amount involved exceeds $120,000; and
- a related person had or will have a direct or indirect material interest.

The purpose of this review is to determine whether this transaction is in the best interests of the company.

Related persons are directors, director nominees, executive officers, holders of 5% or more of our voting stock, and their immediate family members. Related persons are required promptly to report to our general counsel all proposed or existing related person transactions in which they are involved.

If our general counsel determines that the transaction is required to be disclosed under the SEC rules, the general counsel furnishes the information to the chair of the audit committee. After its review, the committee makes a determination or a recommendation to the board and officers of the company with respect to the related person transaction. Upon receipt of the committee's recommendation, the board of directors or officers, as the case may be, take such action as they deem appropriate in light of their responsibilities under applicable laws and regulations.

We had no related person transactions in 2018.

Proxy Statement

COMPENSATION OF NON-EMPLOYEE DIRECTORS

Director Compensation for 2018

MDU Resources' non-employee directors are compensated for their service according to the MDU Resources Group Inc. Director Compensation Policy. Only one company employee, David L. Goodin, the company's president and chief executive officer, serves as a director. Mr. Goodin receives no additional compensation for his service on the board. Director compensation is reviewed annually by the compensation committee with analysis provided by an independent consultant in odd numbered years and analysis prepared by the company's human resources department in even numbered years. The company's human resources department provided the director compensation analysis for 2018. The analysis included research on market trends in director compensation as well as a review of director compensation practices of our peer group companies. Based on the analysis, the compensation committee recommended and the board concurred that no changes would be made to board member compensation for 2018. The following table outlines the compensation paid to our non-employee directors for 2018.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)[1]	All Other Compensation ($)[2]	Total ($)
Thomas Everist	80,000	110,000	83	190,083
Karen B. Fagg	80,000	110,000	583	190,583
Mark A. Hellerstein	70,000	110,000	83	180,083
A. Bart Holaday	29,167	45,833	35	75,035
Dennis W. Johnson	85,000	110,000	83	195,083
William E. McCracken	70,000	110,000	83	180,083
Patricia L. Moss	70,000	110,000	83	180,083
Harry J. Pearce	160,000	145,000	83	305,083
Edward A. Ryan	11,667	18,333	7	30,007
David M. Sparby	29,167	45,833	28	75,028

John K Wilson	70,000	110,000	83	180,083

1 Directors receive an annual payment of $110,000 in company common stock, except the non-executive chair who receives $145,000 in company common stock, under the MDU Resources Group, Inc. Non-Employee Director Long-Term Incentive Compensation Plan. Directors serving less than a full year receive a prorated stock payment based on the number of months served. All stock payments are measured in accordance with Financial Accounting Standards Board (FASB) generally accepted accounting principles for stock-based compensation in FASB Accounting Standards Codification Topic 718. The grant date fair value is based on the purchase price of our common stock on the grant date of November 20, 2018, which was $26.55 per share. The amount paid in cash for fractional shares is included in the amount reported in the stock awards column to this table. As of December 31, 2018, there are no outstanding stock awards or options associated with the Non-Employee Director Long-Term Incentive Compensation Plan.

2 Includes group life insurance premiums and charitable donations made on behalf of the director as applicable. Amounts for life insurance premiums reflect prorated amounts for directors serving less than a full year based on the number of months served.

Proxy Statement

The following table shows the annual cash and stock retainers payable to our non-employee directors.

Base Cash Retainer	$ 70,000
Additional Cash Retainers:	
Non-Executive Chair	90,000
Audit Committee Chair	15,000
Compensation Committee Chair	10,000
Nominating and Governance Committee Chair	10,000
Annual Stock Grant[1] - Directors (other than Non-Executive Chair)	110,000
Annual Stock Grant[2] - Non-Executive Chair	145,000

1 The annual stock grant is a grant of shares of company common stock equal in value to $110,000.

2 The annual stock grant is a grant of shares of

company
common
stock equal
in value to
$145,000.

There are no meeting fees paid to directors.

Other Compensation

In addition to liability insurance, we maintain group life insurance in the amount of $100,000 on each non-employee director for the benefit of their beneficiaries during the time they serve on the board. The annual cost per director is $82.80. Directors who contribute to the company's Good Government Fund may designate up to two charities to receive a matching donation from the MDU Resources Foundation based on their contributions to the fund. Directors are reimbursed for all reasonable travel expenses, including spousal expenses in connection with attendance at meetings of the board and its committees. Perquisites, if any, were below the disclosure threshold in 2018.

Deferral of Compensation

Directors may defer all or any portion of the annual cash retainer and any other cash compensation paid for service as a director pursuant to the Deferred Compensation Plan for Directors. Deferred amounts are held as phantom stock with dividend accruals and are paid out in cash over a five-year period after the director leaves the board.

Post-Retirement

Our post-retirement income plan for directors was terminated in May 2001 for current and future directors. The net present value of each director's benefit was calculated and converted into phantom stock. Payment is deferred pursuant to the Deferred Compensation Plan for Directors and will be made in cash over a five-year period after the director's retirement from the board.

Stock Ownership Policy

Our director stock ownership policy contained in our corporate governance guidelines requires each director to own our common stock equal in value to five times the director's annual cash base retainer. Shares acquired through purchases on the open market and received through our Non-Employee Director Long-Term Incentive Plan are considered in ownership calculations as is ownership of our common stock by a spouse. A director is allowed five years commencing January 1 of the year following the year of the director's initial election to the board to meet the requirements. The level of common stock ownership is monitored with an annual report made to the compensation committee of the board. All directors are in compliance with the stock ownership policy or are within the first five years of their election to the board. For further details on our director's stock ownership, see the section entitled "Security Ownership."

Proxy Statement

SECURITY OWNERSHIP

Security Ownership Table

The table below sets forth the number of shares of our common stock that each director and each nominee for director, each current named executive officer, and all directors and executive officers as a group owned beneficially as of February 28, 2019. Unless otherwise indicated, each person has sole investment and voting power (or share such power with his or her spouse) of the shares noted.

Name	Shares of Common Stock Beneficially Owned	Percent of Class
David C. Barney	44,313 [2,3]	*
Thomas Everist	861,692	*
Karen B. Fagg	73,314	*
David L. Goodin	264,925 [2]	*
Mark A. Hellerstein	24,000	*
Dennis W. Johnson	92,352 [4]	*
Nicole A. Kivisto	59,635 [2,5]	*
William E. McCracken	14,000	*
Patricia L. Moss	76,328	*
Harry J. Pearce	246,740	*
Edward A. Ryan	10,690	*
David M. Sparby	1,726	*

Jeffrey
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