

## **ALLETE, Inc. Corporate Governance Guidelines**

These Corporate Governance Guidelines (the "Guidelines") have been adopted by the ALLETE (the "Company") Board of Directors ("Board" or "Directors") to assist the Board in performing its duties and exercising its responsibilities. The Guidelines are subject to periodic review and modification by the Board.

### **DIRECTOR RESPONSIBILITIES**

Directors have a responsibility to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company, its shareholders, customers, employees, and communities.

The Board expects the following from each Director: (a) to understand ALLETE's businesses and the marketplaces in which they operate; (b) to prepare for and attend Board meetings and meetings of any committee on which they serve; (c) to monitor and keep informed about ALLETE's performance, general economic, business, and management news, trends, and developments; (e) to constructively engage in the strategic decision making processes; (f) to share their perspective, background, experience, knowledge, and insights as they relate to the matters before the Board and its committees; and (g) to be reasonably available when requested to advise the CEO and Company executives on specific issues not requiring the attention of the full Board, but where an individual Director's insights might be helpful to the CEO or executive officers.

### **BOARD ORGANIZATION AND COMPOSITION**

#### **Board Leadership**

The Board believes the issue of separation of the offices of Chair and Chief Executive Officer is part of the succession planning process, and that it is in the best interest of the Company for the Board to make a determination when it annually elects its Chair for the upcoming year.

If the Board Chair is not an Independent Director, the Independent Directors will select an Independent Director to serve as "Lead Director".

#### **Size of the Board**

The Board believes that its size should range from nine to fifteen Directors as provided in the Articles of Incorporation. The Board will periodically evaluate its size in light of changes in the Company's size, nature, and complexity and may change the specific number of Directors constituting the Board by resolution.

#### **Director Independence**

A substantial majority of the Board's Directors shall be independent. Except in unusual circumstances, no more than two Company executive officers should serve on the Board at the same time.

In accordance with the New York Stock Exchange (NYSE) director independence standards, no Director shall qualify as "independent" unless the Board affirmatively determines that the Director has no material relationship with the Company (either directly or as a partner, shareholder, or officer of an organization that has a relationship with the Company). The Corporate Governance and Nominating Committee shall provide recommendations to the Board with respect to whether each individual

Director is independent, and the Board shall review and make an affirmative determination of each Director's independence. The Corporate Governance and Nominating Committee and the Board shall consider all relevant facts and circumstances in making independence recommendations and independence determinations. In addition, the Board has adopted certain categorical standards to assist in determining a Director's independence. A "material relationship" with the Company exists and a Director is not independent if any of the following applies:

1. The Director is or has been employed by the Company within the last three years (other than as a former interim Chair or a former interim CEO); or the Director's immediate family member is or has been employed by the Company within the last three years as an executive officer.
2. The Director has received, or the Director has an immediate family member who has received, during any 12-month period in any of the last three years, more than \$120,000 in direct compensation from the Company (other than Director and committee fees, pension, or other forms of deferred compensation for prior service so long as such compensation is not contingent on continued service);
3. The Director is a current partner or employee of a firm that is the Company's current independent registered public accounting firm; the Director has an immediate family member who is a current partner of the Company's current independent registered public accounting firm; the Director has an immediate family member who is a current employee of the Company's current independent registered public accounting firm and who personally works on the Company's audit; or the Director or an immediate family member was, within the last three years, a partner or employee of the Company's current independent registered public accounting firm and personally worked on the Company's audit within that time.
4. The Director or an immediate family member is or has been, within the last three years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on that company's compensation committee.
5. The Director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million or two percent of such other company's consolidated gross revenues.
6. The Director or an immediate family member has been an executive officer of a foundation, university, non-profit trust, or other tax-exempt charitable organization, within the last three years, for which contributions from the Company and its respective trusts or foundations, account or accounted for more than the greater of \$1 million or two percent of such charitable organization's consolidated gross revenue.

**Nomination Process, Principles, and Values**

The Corporate Governance and Nominating Committee reviews, at least annually, the skills, expertise, and attributes that are important for effective governance for the Company and to its strategy. The Corporate Governance and Nominating Committee, in consultation with the Board Chair, will be responsible for identifying, screening, interviewing, and recommending candidates to the entire Board. Any potential nominee should be interviewed by a majority of the Corporate Governance and Nominating Committee's members. The Board may engage a search firm to assist in identifying and conducting due diligence on potential Director nominees.

The Corporate Governance and Nominating Committee will consider any person proposed by a Director, management, a search firm, or any shareholder. The Corporate Governance and Nominating Committee will consider the candidate's independence in accordance with these ALLETE Corporate Governance Guidelines and the NYSE and Securities and Exchange Commission (SEC) rules. The invitation to join the Board should be extended on behalf of the Board by the Board Chair, together with the Corporate Governance and Nominating Committee Chair.

The Board recognizes that its success depends on not only the individual capabilities of the Directors, but also on its collective strengths. It further recognizes the importance of a well-balanced Board, reflecting the Company's shareholders, customers, employees, and the communities it serves. In selecting Director nominees, the Board considers the following factors, including: integrity, qualifications, diversity, age, skills, experience, independence, commitment to sustainability as outlined in the ALLETE Corporate Sustainability Report, how the candidate's relevant experience would complement and enhance the composition of the Board, Board succession plans, the candidate's ability and willingness to devote adequate time to Board duties, and the likelihood that such candidate will be willing and able to serve on the Board for a sustained period, in addition to using such other criteria and priorities established from time to time.

Directors serve for a one-year term, continuing until their successors are elected or until their earlier death, resignation, retirement, disqualification, or removal. There are no limits on the number of terms a Director may serve. The Board believes the Company benefits from the contributions of Directors who have developed, over time, increasing insight into the Company.

#### **Director Resignation**

In an uncontested election, any nominee for Director who receives a greater number of votes "withheld" from their election than votes "for" such election shall promptly offer to tender their resignation to the Board following certification of the shareholder vote. The Corporate Governance and Nominating Committee shall make a recommendation to the Board on whether to accept or reject the offer, or whether other action should be taken. The Board shall act on whether to accept the Director's offer, taking into account the Corporate Governance and Nominating Committee's recommendation, and publicly disclose (by press release, a filing with the SEC, or other broadly disseminated means of communication) its decision and the rationale behind it within 90 days after the date of the certification of the election results. The Corporate Governance and Nominating Committee, in making its recommendation, and the Board, in making its decision, may each consider any factors or other recommendations that it considers relevant and appropriate. The incumbent Director who offers to tender their resignation shall not participate in the Board's decision. If such incumbent Director's offer to tender their resignation is not accepted by the Board, the Director shall continue to serve for the current term.

Any executive officer (including the CEO) who is a Director will resign from the Board at the same time they discontinue active management responsibilities with the Company or cease to hold the position they held at the time the last Proxy Statement was mailed to shareholders in connection with the election of Directors, unless, in either case, the Board requests them to continue as a Director.

#### **Director Retirement**

It is the Board's policy that no person may stand for election to the Board after age 72. However, the Board may waive this policy for a period of up to two years if it determines that an individual's unique capabilities and/or special circumstances make such waiver in the best interests of the Company and its shareholders.

**Change of Position**

Each Director shall offer to tender their resignation to the Chair of the Corporate Governance and Nominating Committee upon the occurrence of the following:

- Resignation, retirement, or termination of the Director’s principal employment or other significant change in the Director’s professional occupation or association;
- If currently serving on a public company Board of Directors and such service ends other than as a result of a planned retirement or a mandatory retirement age requirement.

The Corporate Governance and Nominating Committee shall consider the resignation offer and recommend to the Board whether the Director should be asked to resign. The Board as a whole will determine whether or not such Director will continue as a member of the Board.

**Conflict of Interest**

Directors must disclose circumstances material to the Director that are or might be perceived as a conflict of interest. These circumstances include those situations where a Director and an executive officer have a material financial interest in a common entity. If an actual or potential conflict of interest develops because of a change in the business of the Company or a subsidiary, or a change in a Director’s circumstances, the Director should disclose the matter to the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee shall review any conflict of interest in consultation with the Board Chair and Lead Director, if applicable, and provide the requesting Director with a determination. If a Director has a personal interest in a matter before the Board, the interest shall be disclosed to the full Board, and the Director shall recuse themselves from participation in the discussion and shall not vote on the matter.

**Service on Other Boards**

The Board believes they should limit the number of boards on which they serve in order to give proper attention to their responsibility to each board. Directors will inform the Corporate Governance and Nominating Committee of any nomination for membership on other for-profit boards (or similar governing bodies) and obtain approval before accepting such membership. The Corporate Governance and Nominating Committee will review the requirements of such membership with the Director before granting or withholding approval. The Board believes that Directors should limit their service to not more than three other boards of public companies, but exceptions to this policy will be made in appropriate cases. Directors may not serve on boards of associations or organizations with policies or strategies contrary to the Company’s strategy or business. Where a Director seeks to serve on more than three other boards, the Corporate Governance and Nominating Committee will consider the request and submit its recommendation to the Board for consideration and decision. All memberships on other boards by the CEO will be considered and decided by the full Board based upon the Corporate Governance and Nominating Committee’s recommendation.

**Service on Boards of Competing or Interlocking Enterprises**

A Director will not serve as a Director of any public company that competes with the Company's businesses. Federal law regulates so-called "interlocking" directorates; and other restrictions are imposed where two or more Directors of the Company serve together on another board or similar body. Directors should seek legal guidance concerning such memberships. There are additional limitations imposed by the Federal Energy Regulatory Commission relating to participants in and suppliers to the energy market.

**BOARD OPERATIONS**

**Board Meetings and Schedule**

The Board will hold at least four regular meetings each year. The Board Chair will prepare and propose a Board meeting schedule for the ensuing year for consideration by the Board at its first meeting following the Annual Meeting of Shareholders.

**Extended Meeting**

One of the Board's meetings, usually the October meeting, will be scheduled over an extended period to permit detailed review of the Company's strategic plan.

**Executive Sessions**

At each regularly scheduled meeting, the non-employee Independent Directors will meet in Executive Session for discussion without management present. These meetings will be chaired either by the Board Chair or by the Lead Director (if the Board Chair is not an Independent Director).

**Meeting Materials**

In advance of each regular Board meeting, an agenda will be sent electronically to each Director together with: (a) written materials pertaining to certain matters to be presented for Board decision at such meeting; (b) summary of financial information needed to understand the performance of the Company; (c) minutes of the most recent Board meeting and of any committee meetings held since the distribution of materials for the most recent Board meeting; and (d) other written materials that are available in advance of the meeting. Written materials should be designed to provide a foundation for the Board's discussion of key issues and allow the Board to make the most efficient use of its meeting time. Directors may request additional information or changes in the scope, amount, or format of the information provided, and the CEO will make every effort to provide such additional information or make such changes.

**BOARD COMMITTEES**

The Board has three standing committees: the Audit Committee, the Executive Compensation and Human Capital Committee, and the Corporate Governance and Nominating Committee, which also serves the functions of an executive committee. Each committee will be chaired by an Independent Director and will have only Independent Directors as members. The Board Chair (if an Independent Director) or Lead Director is an *ex-officio* member of each of the standing committees. Each standing committee will have a charter that is adopted by the Board, and each Committee will establish a schedule of standing agenda items to be discussed during the year. In general, the committees should function to identify and focus on issues for discussion by the full Board. Each committee chair shall report regularly to the Board on committee meetings and other committee activities.

The membership and chairs of the committees will be rotated from time-to-time after considering the recommendations of the Corporate Governance and Nominating Committee to allow Directors to serve

on various committees over time while providing for continuity of membership and leadership on each committee. The Board recognizes that rotating chairs provides development for the Directors and allows a variety of perspectives in leadership positions. It is the sense of the Board that committee chairs should rotate approximately every five years. Any Director and the CEO may participate in any committee meeting except when such participation would present a conflict of interest or, in the case of a Board Chair who is not an Independent Director, if the meeting is an executive session. In the absence of the Committee chair, the most senior Committee members (in terms of Committee service) will chair the Committee meeting.

**Committee Meeting Materials**

The chair of each committee will oversee the preparation of an agenda for each meeting. The agenda will be provided to each committee member in advance, together with: (a) written materials pertaining to the matters to be presented for consideration at such meeting; and (b) the minutes of the most recent meeting of the committee.

**Management Attendance at Committee Meetings**

The chair of each committee in consultation with the CEO will determine which members of Management will attend each committee meeting.

**Other Committees**

The Board may form *ad hoc* committees from time to time. The Board will determine the size, membership, and chair of each *ad hoc* committee. Generally, the chairs and most members of such committees will be Independent Directors. The Board may appoint members of Management as *ex officio* members of such *ad hoc* committees.

**GENERAL MATTERS**

**Board and Committee Evaluations**

Each year, the Board and its committees undertake self-evaluations. The Board's self-evaluation includes soliciting opinions from the Directors about topics related to Board effectiveness, including: the sufficiency and timeliness of briefing materials provided to them; the content and conduct of meetings; the adequacy of time allocated to, and quality of, presentations and discussions; access to management; the Board's understanding of issues; Board's consideration of shareholders' interests in making decisions; overall characteristics and mix of skill sets of Board members; as well as other areas. These assessments are used to improve Board performance and effectiveness.

Each Board committee's self-evaluation addresses matters the committee considers relevant to its performance, including a review and assessment of the committee's charter. A report on each committee's self-evaluation is presented to the Board.

**Director orientation and continuing education**

All new Directors participate in an orientation program with respect to the duties and responsibilities of the Board. Each Board committee also provides new committee members with appropriate background information about the workings of the committee.

Directors are expected to participate in relevant educational opportunities at least every other year to enhance their effectiveness on the Board. The Company will pay for courses Directors deem appropriate to help them in their role as Board members.

**CEO Evaluation**

Each year, the Corporate Governance and Nominating Committee will develop and recommend to the Board criteria that will be used to evaluate the CEO's performance. These criteria will include, among other things, the Company's performance against its strategic and operating plans, as well as achievements in management development and succession planning. The Corporate Governance and Nominating Committee or its nominee will solicit input from each of the Independent Directors regarding the CEO's performance and share the results of its evaluation with the Board's Independent Directors. The Executive Compensation and Human Capital Committee will set financial goals and objectives related to the CEO's compensation and, based on the performance evaluation conducted by the Corporate Governance and Nominating Committee and the results achieved relative to the goals and objectives, set the CEO's compensation. After discussion and approval by the Independent Directors, the Lead Director or the Board Chair (if they are an Independent Director) and the Executive Compensation and Human Capital Committee Chair, if invited by the Lead Director, will meet with the CEO to discuss the evaluation.

**Director Compensation**

The Board determines Director compensation. Any Director who is also employed by the Company will receive no additional compensation for their service as a Director. The Board believes that it is important to align Directors' interests with those of Company shareholders. Accordingly, the Board believes that a significant portion of Directors' compensation should be paid in stock or other forms of compensation that correlate with the Company's market value. Management will report annually to the Executive Compensation and Human Capital Committee on the amount and composition of the compensation of the Company's Directors in relation to the compensation of directors of comparable enterprises. The Executive Compensation and Human Capital Committee will recommend changes in Directors' compensation to the Board.

**Directors' and Officers' Share Ownership**

The Board believes that the Directors and officers should be Company shareholders and that such equity ownership aligns the Directors' and officers' interests with those of the Company shareholders. Accordingly, the Board has adopted share ownership guidelines, as established by the Corporate Governance and Nominating Committee, for share ownership by Directors and officers it designates as insiders for purposes of Section 16 of the Securities Exchange Act of 1934, as amended ("Section 16 Officers"). The CEO has the discretion to establish and modify guidelines for other Company officers.

The Corporate Governance and Nominating Committee has determined that Directors should own at least 500 shares of Company stock prior to their election as a Director and, within five years of such election, shares valued at not less than five times the Directors' annual cash retainer. Directors are expected to continue to hold shares in accordance with these guidelines for their entire tenure on the Board.

The Corporate Governance and Nominating Committee has determined that Section 16 Officers should own shares of Company stock valued at not less than various multiples of their respective base salary ranging from five times base salary to one times base salary. Section 16 Officers are expected to attain share ownership in accordance with their guidelines within seven years of first being subject to the guidelines, or, in cases in which Section 16 Officers are newly subject to a higher share ownership guideline (e.g., due to promotion, an upward adjustment in the guideline for positions, etc.), within five years of the being subject to the new guideline. Section 16 Officers are expected to continue to hold shares in accordance with their applicable guideline for so long as they hold the title position.

The Corporate Governance and Nominating Committee may reduce the share ownership guideline for a Director or Section 16 Officer following a publicly announced plan to retire or in other circumstances the Committee deems appropriate.

**Board Contact with Management and Independent Advisors**

Executive officers and other members of management are included in open sessions of the Board and Committee meetings, as appropriate. Directors may, from time to time, meet individually with the Company's executive officers or other management. Normally, the CEO should be informed of such meetings in advance and, following such meetings, informed of the matters discussed during and results of any such meetings. Directors should use their access to Company management employees with care so as not to undermine normal lines of authority. Directors shall have access to independent advisors retained by the Board as it deems necessary and appropriate.

**Code of Business Conduct**

ALLETE has adopted a Code of Business Conduct (which serves as an ethics policy) that applies to all Directors, officers, and employees of the Company and its subsidiaries. The Board and the Corporate Governance and Nominating Committee have oversight of integrity at the Company, and the Corporate Governance and Nominating Committee shall review the ethics policy from time to time and recommend any proposed changes to the Board.

**Management Development and Succession Planning**

Planning for CEO succession and overseeing the identification and development of executive talent are primary Board responsibilities. The Board oversees executive officer development and succession plans for the CEO and other executive officers to provide for continuity in senior management. This effort is led by the Corporate Governance and Nominating Committee with active input from the CEO and the Company's human resources department.

The Board works with the CEO to plan for CEO succession. The CEO succession plan covers identification of internal candidates, development plans for internal candidates, and, as appropriate, identification of external candidates. The Board annually reviews the CEO succession plan. The criteria used to assess potential CEO candidates are formulated based on the Company's business strategies and include strategic vision, leadership, and operational execution.

The Board maintains an emergency succession contingency plan should an unforeseen event (such as death or disability) prevent the CEO from continuing to serve. The Board reviews this emergency succession contingency plan annually or more frequently as deemed appropriate.

The Board may review development and succession plans more frequently as it deems necessary or desirable.

**Board's Expectations of Executive Officers**

Executive officers are responsible for the Company's day-to-day business operations. Among other things, the Board expects the following from these Company leaders: (a) to provide strong, informed, and ethical leadership; (b) to develop strategies and operating plans that build businesses with strong, sustainable marketplace positions that build shareholder value over the long term; (c) to maintain effective operational controls designed to ensure compliance with the highest ethical standards, as well as with legal, regulatory, and other requirements, and to report regularly to the Board on such controls and compliance; (d) to measure and report performance against peer enterprises; (e) to provide sound succession planning and management development; (f) to maintain a sound organizational structure; (g) to inform the Board regularly of the status of key initiatives and changes in the Company's performance



or the environment in which it operates; and (h) to address and resolve on a timely basis issues or concerns raised by the Board or its committees. Management, acting through the CEO, will inform the Board of material developments as soon as practical and will not wait until regularly scheduled Board meetings.

**Communications**

Management speaks for the Company. Inquiries from investors, analysts, the press, customers, suppliers, or others should be referred to the CEO or other appropriate members of management. Individual Directors may, from time to time, meet with various constituencies of the Company, at the request of or with the concurrence of Management. Directors are free to meet with or address the public or special groups concerning board practices generally and other matters of interest to the Directors not directly related to activities of the Company, and such contacts will not require management concurrence.

**Shareholder communications to the board**

Shareholders may contact an individual Director, the Board as a group, or a specified Board committee or group, including the Independent Directors as a group, by writing in care of the following:

Corporate Secretary  
ALLETE, Inc.  
30 W. Superior Street  
Duluth, MN 55802

Each communication should specify the applicable Director or Directors to be contacted as well as the general topic of the communication. The Company will initially receive and process communications before forwarding them. Communications may also be referred to other departments within the Company. The Company generally will not forward to the Directors a communication that it determines to be primarily commercial in nature or related to an improper or irrelevant topic or that requests general information about the Company.

Concerns about questionable accounting or auditing matters or possible violations of the ALLETE's Code of Business Conduct should be reported pursuant to the procedures outlined in the Code of Business Conduct, which are available on the Company's Web site at [www.allete.com/governance](http://www.allete.com/governance).