

AUDIT COMMITTEE CHARTER OTTER TAIL CORPORATION

2/5/18

I. Purpose

The Audit Committee of the Board of Directors (“Board”) of Otter Tail Corporation (“Corporation”) has been formed to provide oversight to corporate accounting and financial reporting practices, and to ensure the integrity of financial reports as well as legal compliance and business ethics. The Audit Committee's primary duties and responsibilities are to:

- Provide an open avenue of communication among the independent accountants, financial and senior management, the internal audit function and the Board.
- Serve as an independent and objective party to oversee the Corporation's financial reporting processes, the audits of the financial statements, and internal control system.

II. Membership

The Audit Committee shall be comprised of three or more directors as determined by the Board, each of whom shall be independent directors as required by the Securities Exchange Act of 1934, as amended (the “Exchange Act”), any rules and regulations promulgated thereunder by the Securities and Exchange Commission (“SEC”), and the rules of The Nasdaq Stock Market LLC (“Nasdaq”). No member of the Audit Committee shall have participated in the preparation of the financial statements of the Corporation or any current subsidiary of the Corporation at any time during the previous three years. All members of the Audit Committee will have a working familiarity with basic finance and accounting practices and shall be able to read and understand fundamental financial statements. At least one member of the Audit Committee shall meet the experience requirements of Nasdaq and shall be an audit committee financial expert as that term has been defined by the SEC.

Terms of members shall continue until a successor is appointed by the Board. The Board may remove, replace or add new members to the Audit Committee at any time in its sole discretion.

III. Duties and Responsibilities

The Audit Committee shall have all of the authority of the Board to act or exercise corporate powers with respect to the following:

Financial Reporting

- Review annual and quarterly financial statements with management and the independent accountants to determine that the independent accountants are satisfied with the disclosure and content of the financial statements, and approve such financial statements prior to release.
- Discuss with management and the independent accountant, significant assumptions, estimates and judgments used in the preparation of the consolidated financial statements.
- On a quarterly basis, review and discuss with management their approach to earnings press releases and the type of financial information and earnings guidance provided to analysts.
- Review the SEC Form 10-K, Form 10-Q and other Forms as appropriate prior to filing.
- Following review, make recommendations to the Board regarding the inclusion of the audited financial statements in the annual report to be filed with the SEC.

Independent Accountants

- Select and retain the independent accountants for all audit, review and attest services performed for the Corporation (including the annual financial audit), considering independence and effectiveness. Determine the appropriate compensation for the independent accountants, additional duties to be assigned to them, including non-audit services (to the extent such services are not prohibited by Section 10A(g) of the Exchange Act), determine whether the independent accountants' performance of any non-audit services is compatible with their independence, and review their work. The independent accountants shall report directly to the Audit Committee.
- Determine appropriate fees to be paid to the independent accountants and any other advisors retained by the Audit Committee to perform services approved by the Audit Committee, and for ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.
- Consult with the independent accountants without management's presence about internal controls, disagreements between the independent accountants and management, and the completeness and accuracy of the financial statements.
- Review, prior to the annual audit, the scope and general extent of the independent accountants' audit examinations including their engagement letter.
- Be apprised of audit work performed by other accounting firms on which the independent accountants rely.
- Ensure receipt on an annual basis of a written statement from the Corporation's independent accountants delineating all relationships between the independent accountants and the Corporation, and review and discuss with the independent accountants any disclosed relationships or services that may affect the objectivity and

- independence of the independent accountants. Take appropriate action to ensure the independence of the independent accountants.
- Discuss with the independent accountants the matters required to be discussed by Auditing Standard No. 1301, *Communications with Audit Committees*. These items include:
 1. Critical Accounting Policies and Practices
 2. Critical Accounting Estimates
 3. Significant Unusual Transactions
 4. Alternative Accounting Treatments
 5. Difficult or Contentious Matters for Which the Auditor Consulted
 6. Management Consultation with Other Accountants
 7. Uncorrected and Corrected Misstatements
 8. Material Written Communications
 9. Departure from the Auditor's Standard Report
 10. Disagreements with Management
 11. Difficulties Encountered in Performing the Audit
 12. Other Information in Documents Containing Audited Financial Statements
 13. Significant Issues Discussed with Management in Connection with the Auditor's Appointment or Retention
 - Consider the independent accountants' judgments regarding the quality and appropriateness of financial statements.
 - On an annual basis, obtain and review a written report by the independent accountants describing:
 1. The independent accountant firm's internal quality control procedures
 2. Any material issues raised by the most recent internal quality control review, Public Company Accounting Oversight Board (PCAOB), peer review or by any other governmental authority of the independent accountant firm
 3. Any steps taken to deal with any issues raised in such reviews discussed in 2 above.
 - Annually evaluate the independent accountant's qualifications and performance, including a review and evaluation of the lead audit partner, taking into account the opinions of management and the Corporation's internal auditors.
 - To review and set clear hiring policies for employees or former employees of the independent accountant.

Internal Audit Function and Process

- Review at least annually the internal audit function of the Corporation including its independence, purpose, authority, responsibility, staffing, budgets and, its compliance with the Institute of Internal Auditors Standards, including the results of the Quality Assurance and Improvement Program.

- Review and approve at least annually, the Internal Audit Charter, the Internal Audit Plan, and significant interim changes to the Plan.
- Review all decisions regarding the appointment or removal of the Chief Audit Executive.
- Review the findings of completed internal audits and be apprised of any difficulties encountered by the internal audit team during the course of its work, including any restrictions on the scope of work or access to required information.
- Meet at least annually with internal audit, without management present, to allow opportunity for free and open dialogue.

Internal Controls

- Make inquiries of management and the independent accountants concerning the adequacy of the Corporation's system of internal controls.
- Oversee the adequacy of internal controls and procedures related to officers' expense accounts.
- Inquire of management and the independent accountants about material risks or exposures, including legal matters, and assess the steps management has taken to minimize such risks and exposures.

Compliance

- Review and approve transactions between the Corporation and related persons in accordance with the Corporation's policies and procedures regarding such transactions, and as required by applicable Nasdaq and SEC rules.
- Review the Corporation's Code of Conduct annually and direct management to establish a system reasonably designed to ensure compliance with the Code, and to ensure that the Committee has an opportunity to review, retain and act on complaints related to accounting, internal controls and audit matters, and approve any waivers of the Code of Conduct for Directors and Executive Officers. Establish procedures for the confidential, anonymous submission by Corporation employees of concerns regarding questionable accounting or auditing matters.
- Review and consider, on behalf of the Board, any request for a waiver of any conflict of the Corporation's Code of Conduct for a director or executive officer of the Corporation, and ensure that any such waivers are promptly disclosed as required by law.

Other Committee Responsibilities

- Review the Audit Committee Charter at least annually and make recommendations to the Board for modifications.
- Retain such other advisors as it deems necessary to fulfill its work.

- Oversee the preparation of an annual Audit Committee report for inclusion in the Corporation's annual proxy statement in accordance with applicable rules and regulations of the SEC.

IV. Agenda

The Chair of the Committee, in consultation with appropriate members of the Corporation's management, will develop the Audit Committee's agenda for each meeting. The agenda shall be included with the written notice of the meeting.

V. Meetings and Actions

The Audit Committee will normally meet at least four (4) times each year. Meetings of the Audit Committee shall be called at the request of the Chair with appropriate notice to members. Any action by the Audit Committee can be taken at a meeting or, in lieu of a meeting, by written action signed by not less than a majority of the members of the Audit Committee. A meeting of the Audit Committee may be conducted by conference call, video conference, or other similar electronic arrangement allowing for verbal discussion of the matters being considered. Any action taken by the Audit Committee shall require the approval of a majority of the members of the Audit Committee. A majority of the members of the Audit Committee shall constitute a quorum for the transaction of the business of the Audit Committee. Attendance at a meeting of the Audit Committee shall constitute a waiver of notice of the meeting.

VI. Standard of Conduct

The standard of conduct for the members of the Audit Committee shall be the same as the standard of conduct for directors of the Board under Section 302A.251 of Minnesota Statutes.

VII. Amendment

The Charter for the Audit Committee is subject to amendment at any time and for any reason by the Board.