

AGL RESOURCES INC.

STANDARDS FOR DETERMINING DIRECTOR INDEPENDENCE

I. General

The Board of Directors of AGL Resources Inc. (“AGL Resources” or the “Company”) must consist of at least a majority of independent directors. No director shall qualify as independent unless the Board of Directors affirmatively determines that the director has no material relationship with AGL Resources (directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). In making its independence determination for each director, the Board of Directors shall consider all relevant facts and circumstances. In particular, when assessing the materiality of a director’s relationship with the Company, the Board will consider the issue not merely from the standpoint of the director, but also from the standpoint of persons or organizations with which the director has an affiliation. Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, among others.

II. Relationships that are Conclusively Deemed to be Material

The following categories of relationships shall conclusively be deemed to be material and shall preclude the Board of Directors from making a determination that a director who has such a relationship is independent until expiration of the “cooling off” periods described below:

- A. A director who is, or has been within the last three years, an employee¹, or whose Immediate Family Member² is, or has been within the last three years, an Executive Officer,³ of the Company is not independent.

- B. With regard to a firm that is the Company’s internal or external auditor:
 - 1. A director who is, or whose Immediate Family Member is, a current partner of such firm is not independent.
 - 2. A director who is a current employee of such firm is not independent.
 - 3. A director whose Immediate Family Member is a current employee of such firm and personally works on the Company’s audit is not independent.

¹ Employment as interim chairman or chief executive officer or other executive officer does not disqualify a director from being considered independent following that employment.

² “Immediate Family Member” includes a person’s spouse, parents, step-parents, children, step-children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law and anyone (other than domestic employees) who shares such person’s home.

³ “Executive Officer” has the same meaning as “officer” as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and includes an issuer’s president, principal financial officer, principal accounting officer (or, if there is no such accounting officer, the controller), any vice-president of the issuer in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the issuer. Officers of the issuer’s parent(s) or subsidiaries shall be deemed officers of the issuer if they perform such policy-making functions for the issuer.

4. A director who was, or whose Immediate Family Member was, within the last three years (but is no longer) a partner or employee of such firm and personally worked on the Company's audit within that time is not independent.⁴
- C. A director who is, or has been within the last three years, or whose Immediate Family Member is, or has been in 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 is not independent.
- D. A director who is a current employee, or whose Immediate Family Member is a current Executive Officer, of another 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 2% of such other company's consolidated gross revenues is not independent.
- E. A director who has received, or whose Immediate Family Member has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent.

III. Relationships that Create a Presumption of Materiality

Relationships arising from a Related Person Transaction (as defined in the Company's "Statement of Policy with respect to Related Person Transactions" (the "Policy")), in which a director has a direct or indirect interest, shall create a presumption of materiality if the transaction involves an amount that is greater than or equal to two percent of either the Company's or the Related Person's (as defined in the Policy) consolidated gross revenues for the prior fiscal year.⁵

The Board of Directors may negate this presumption with respect to a director if the Board determines (and no independent director dissents) that, based upon the relevant facts and circumstances, such relationship is not material.

IV. Additional Independence Standards for Certain Committees

A. Audit Committee Member Independence

In addition to being determined by the Board of Directors to be independent under the standards described in Sections II and III above, directors who serve on the Audit

⁴ Compensation received by a director for former service as an interim chairman or chief executive officer or other executive officer and compensation received by an Immediate Family Member for service as an employee other than as an executive officer need not be considered in determining independence under this test.

⁵ In the case where the Related Person is an individual, the threshold will be ten percent of the Related Person's total income prior to adjustments for the prior fiscal year as reported to the Internal Revenue Service.

Committee of the Board of Directors of the Company must satisfy the following additional standards:

1. A member of the Audit Committee, other than in his or her capacity as a member of the board or committee of the board, cannot accept directly or indirectly any consulting, advisory or other compensatory fees from the Company or any of its subsidiaries, other than fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company (provided that such compensation is not contingent in any way on continued service).
2. A member of the Audit Committee cannot be an affiliated person⁶ of the Company or any of its subsidiaries.

B. Compensation and Management Development Committee Member Independence

In addition to being determined by the Board of Directors to be independent under the standards described in Sections II and III above, a minimum of two directors (“Qualifying Directors”) who serve on the Compensation and Management Development Committee of the Board of Directors of the Company must satisfy the following additional standards:

1. No Qualifying Director may be a former employee of the Company receiving compensation for prior services (other than under a tax-qualified retirement plan).
2. No Qualifying Director may be a former officer⁷ of the Company.
3. No Qualifying Director may have an interest in any transaction requiring disclosure under Item 404(a) of Regulation S-K (attached hereto as Annex “A”).

Any director serving on the Compensation and Management Development Committee who does not meet all of the requirements of paragraphs B.1-3 above for Qualifying Directors, shall not participate in any proceeding or action that must be conducted and/or approved by a committee composed solely of at least two members who meet the qualifications for Non-employee Directors and Outside Directors, as set forth under Rule 16b-3 of the Exchange Act or Section 162(m) of the Internal Revenue Code of 1986, as amended, respectively.

⁶ As defined under the Exchange Act, an “affiliate” of, or a person “affiliated” with, a specified person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified. The term “control” (including the terms “controlling,” “controlled by” and “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise.

⁷ An “officer” means an administrative executive who is or was in regular and continued service. Someone who only has or had the title of “officer” but lacked the authority of an officer is not an officer. Whether or not the individual is or was an officer depends on the facts and circumstances (including the source of the individual’s authority, the term for which the individual is elected or appointed, and the nature and extent of the individual’s duties). Treas. Reg. § 1.162-27(e)(3)(vii) (as amended in 1996); Priv. Ltr. Rul. 9732011.

C. Nominating, Governance and Corporate Responsibility Committee Member Independence

Directors who serve on the Nominating, Governance and Corporate Responsibility Committee of the Board of Directors of the Company must satisfy only the standards described in Sections II and III above.

D. Finance and Risk Management Committee

At least a majority of the Directors who serve on the Finance and Risk Management Committee of the Board of Directors of the Company must satisfy the standards described in Sections II and III above.

Item 404 -- Transactions with Related Persons, Promoters and Certain Control Persons

(a) Transactions with related persons. Describe any transaction, since the beginning of the registrant's last fiscal year, or any currently proposed transaction, in which the registrant was or is to be a participant and the amount involved exceeds \$120,000, and in which any related person had or will have a direct or indirect material interest. Disclose the following information regarding the transaction:

- (1) The name of the related person and the basis on which the person is a related person.
- (2) The related person's interest in the transaction with the registrant, including the related person's position(s) or relationship(s) with, or ownership in, a firm, corporation, or other entity that is a party to, or has an interest in, the transaction.
- (3) The approximate dollar value of the amount involved in the transaction.
- (4) The approximate dollar value of the amount of the related person's interest in the transaction, which shall be computed without regard to the amount of profit or loss.
- (5) In the case of indebtedness, disclosure of the amount involved in the transaction shall include the largest aggregate amount of principal outstanding during the period for which disclosure is provided, the amount thereof outstanding as of the latest practicable date, the amount of principal paid during the periods for which disclosure is provided, the amount of interest paid during the period for which disclosure is provided, and the rate or amount of interest payable on the indebtedness.
- (6) Any other information regarding the transaction or the related person in the context of the transaction that is material to investors in light of the circumstances of the particular transaction.

Instructions to Item 404(a):

1. For the purposes of paragraph (a) of this Item, the term *related person* means:
 - a. Any person who was in any of the following categories at any time during the specified period for which disclosure under paragraph (a) of this Item is required:
 - i. Any director or executive officer of the registrant;
 - ii. Any nominee for director, when the information called for by paragraph (a) of this Item is being presented in a proxy or information statement relating to the election of that nominee for director; or

- iii. Any immediate family member of a director or executive officer of the registrant, or of any nominee for director when the information called for by paragraph (a) of this Item is being presented in a proxy or information statement relating to the election of that nominee for director, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of such director, executive officer or nominee for director, and any person (other than a tenant or employee) sharing the household of such director, executive officer or nominee for director; and
 - b. Any person who was in any of the following categories when a transaction in which such person had a direct or indirect material interest occurred or existed:
 - i. A security holder covered by Item 403(a) (§229.403(a)); or
 - ii. Any immediate family member of any such security holder, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of such security holder, and any person (other than a tenant or employee) sharing the household of such security holder.
2. For purposes of paragraph (a) of this Item, a *transaction* includes, but is not limited to, any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships.
3. The amount involved in the transaction shall be computed by determining the dollar value of the amount involved in the transaction in question, which shall include:
 - a. In the case of any lease or other transaction providing for periodic payments or installments, the aggregate amount of all periodic payments or installments due on or after the beginning of the registrant's last fiscal year, including any required or optional payments due during or at the conclusion of the lease or other transaction providing for periodic payments or installments; and
 - b. In the case of indebtedness, the largest aggregate amount of all indebtedness outstanding at any time since the beginning of the registrant's last fiscal year and all amounts of interest payable on it during the last fiscal year.
4. In the case of a transaction involving indebtedness:
 - a. The following items of indebtedness may be excluded from the calculation of the amount of indebtedness and need not be disclosed: Amounts due from the related person for purchases of goods and services subject to usual trade terms, for ordinary business travel and expense payments and for other transactions in the ordinary course of business;

- b. Disclosure need not be provided of any indebtedness transaction for the related persons specified in Instruction 1.b. to paragraph (a) of this Item; and
- c. If the lender is a bank, savings and loan association, or broker-dealer extending credit under Federal Reserve Regulation T (12 CFR part 220) and the loans are not disclosed as nonaccrual, past due, restructured or potential problems (see Item III.C.1 and 2. of Industry Guide 3, Statistical Disclosure by Bank Holding Companies (17 CFR 229.802(c))), disclosure under paragraph (a) of this Item may consist of a statement, if such is the case, that the loans to such persons:
 - i. Were made in the ordinary course of business;
 - ii. Were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to the lender; and
 - iii. Did not involve more than the normal risk of collectibility or present other unfavorable features.

5.

- a. Disclosure of an employment relationship or transaction involving an executive officer and any related compensation solely resulting from that employment relationship or transaction need not be provided pursuant to paragraph (a) of this Item if:
 - i. The compensation arising from the relationship or transaction is reported pursuant to Item 402 (§229.402); or
 - ii. The executive officer is not an immediate family member (as specified in Instruction 1 to paragraph (a) of this Item) and such compensation would have been reported under Item 402 (§229.402) as compensation earned for services to the registrant if the executive officer was a named executive officer as that term is defined in Item 402(a)(3) (§229.402(a)(3)), and such compensation had been approved, or recommended to the board of directors of the registrant for approval, by the compensation committee of the board of directors (or group or independent directors performing a similar function) of the registrant.
- b. Disclosure of compensation to a director need not be provided pursuant to paragraph (a) of this Item if the compensation is reported pursuant to Item 402(k) (§229.402(k)).

6. A person who has a position or relationship with a firm, corporation, or other entity that engages in a transaction with the registrant shall not be deemed to have an indirect material interest within the meaning of paragraph (a) of this Item where:
 - a. The interest arises only:
 - i. From such person's position as a director of another corporation or organization that is a party to the transaction; or
 - ii. From the direct or indirect ownership by such person and all other persons specified in Instruction 1 to paragraph (a) of this Item, in the aggregate, of less than a ten percent equity interest in another person (other than a partnership) which is a party to the transaction; or
 - iii. From both such position and ownership; or
 - b. The interest arises only from such person's position as a limited partner in a partnership in which the person and all other persons specified in Instruction 1 to paragraph (a) of this Item, have an interest of less than ten percent, and the person is not a general partner of and does not hold another position in the partnership.
7. Disclosure need not be provided pursuant to paragraph (a) of this Item if:
 - a. The transaction is one where the rates or charges involved in the transaction are determined by competitive bids, or the transaction involves the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority;
 - b. The transaction involves services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services; or
 - c. The interest of the related person arises solely from the ownership of a class of equity securities of the registrant and all holders of that class of equity securities of the registrant received the same benefit on a pro rata basis.