

AGL RESOURCES INC
Form DEF 14A
March 16, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

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))

Definitive Proxy Statement

Definitive Additional Materials.

Soliciting Material Pursuant to Section 240.14a-12

AGL RESOURCES INC.

(Name of Registrant as Specified in Its Charter)

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(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:

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(3) Filing Party:

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JOHN W. SOMERHALDER II

Chairman, President and Chief Executive Officer

March 16, 2012

To Our Shareholders:

On behalf of the board of directors, I am pleased to invite you to attend AGL Resources' 2012 annual meeting of shareholders to be held on Tuesday, May 1, 2012, at our corporate headquarters at Ten Peachtree Place, Atlanta, Georgia. The meeting will start at 10:00 a.m., Eastern time. A map with directions is included in the attached proxy statement. **Please note that you will need to present an admission ticket and picture identification in order to attend the meeting in person.** Please see page 5 of the attached proxy statement for more information about attending the meeting in person. The matters to be acted upon at the meeting are described in the Notice of Annual Meeting of Shareholders and Proxy Statement. During the annual meeting of shareholders, we will discuss our efforts and achievements in 2011. We will update shareholders on our business plans for 2012. Our directors, officers and other employees will be available to answer any questions you may have.

Your vote is very important to us. Regardless of the number of shares you own, please vote. You may vote by telephone (using the toll-free number on your proxy or vote instruction card), internet (using the address provided on your proxy or vote instruction card), or paper proxy or vote instruction card. Please see page 2 of the attached proxy statement or your enclosed proxy or vote instruction card for more detailed information about the various options for voting your shares.

Thank you for your ongoing ownership and support. We hope to see you at our annual meeting.

Sincerely,

John W. Somerhalder II

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Ten Peachtree Place

Atlanta, Georgia 30309

NOTICE OF 2012 ANNUAL MEETING OF SHAREHOLDERS

Time and Date:	10:00 a.m., Eastern time, Tuesday, May 1, 2012
Place:	Ten Peachtree Place, Atlanta, Georgia
Items of Business:	<p>Elect sixteen directors to serve until the 2013 annual meeting;</p> <p>Ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2012;</p> <p>Approve a non-binding resolution to approve the compensation of our named executive officers, as described in the Compensation Discussion and Analysis section, the tabular disclosure regarding such compensation, and the accompanying narrative disclosure, set forth in our 2012 annual shareholder meeting proxy statement; and</p> <p>Transact such other business as may properly come before the annual meeting or any adjournments.</p>
Who May Vote:	You may vote if you owned shares of our common stock at the close of business on February 22, 2012 (the record date).
Proxy Voting:	<p>Your vote is important. Please vote in one of these ways:</p> <p>use the toll-free telephone number shown on the enclosed proxy or vote instruction card;</p> <p>visit the web site listed on your proxy or vote instruction card; or</p> <p>mark, sign, date and promptly return the enclosed proxy or vote instruction card in the enclosed postage-paid envelope.</p>
Proxy Statement:	A copy of our proxy statement for the annual meeting, which contains information that is relevant to the proposals to be voted on at the annual meeting, is attached.
Annual Report:	A copy of our 2011 annual report, which contains financial and other information about our business, is enclosed.
Date of Availability:	On or about March 16, 2012, we will mail to certain shareholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy statement and 2011 annual report and how to vote online. All other shareholders will receive the proxy statement and annual report by mail.

By Order of the Board of Directors,

Myra C. Bierria

Corporate Secretary

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IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON May 1, 2012:

A copy of our combined 2011 annual report and Form 10-K for 2011 is being made available with this proxy statement. You may receive a stand-alone copy of our 2011 Form 10-K free of charge upon written request directed to:

AGL Resources Inc.

Attention: Investor Relations,

P.O. Box 4569, Location 1071,

Atlanta, Georgia 30302-4569.

Our proxy statement and our 2011 annual report and Form 10-K may be accessed at

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<https://materials.proxyvote.com/001204>

at our web site at www.aglresources.com.

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PROXY STATEMENT

ABOUT THE ANNUAL MEETING

Who is soliciting my proxy?

The board of directors of AGL Resources is providing you these proxy materials in connection with the solicitation of proxies to be voted at our 2012 annual meeting of shareholders and at any postponement or adjournment of the annual meeting. The proxies will be voted in accordance with your instructions by John W. Somerhalder II, our chairman, president and chief executive officer; Paul R. Shlanta, our executive vice president, general counsel and chief ethics and compliance officer; and Andrew W. Evans, our executive vice president and chief financial officer, or any of them. If your shares are held in our AGL Resources Inc. Retirement Savings Plus Plan (the "Retirement Savings Plus Plan" or the "AGL 401(k) Plan"), your proxy will be voted by Merrill Lynch Bank & Trust Co., FSB, which is the trustee for the AGL 401(k) Plan. If your shares are held in our Nicor Companies Savings Investment Plan, Nicor Gas Thrift Plan or Birdsall, Inc. Retirement Savings Plan (collectively, the "Nicor 401(k) Plans"), your proxy will be voted by The Vanguard Fiduciary Trust Company, which is the trustee for the Nicor 401(k) Plans. The trustee of the AGL 401(k) Plan will vote your shares in accordance with your instructions and if you fail to provide voting instructions, the trustee will vote your shares in accordance with the discretionary instructions of the Administrative Committee of the 401(k) plans. It is expected that the Administrative Committee will instruct the AGL 401(k) Plan trustee to vote your shares in accordance with your telephone, internet or written proxy vote, or, if you do not vote, FOR each of the three proposals. The trustee of the Nicor 401(k) Plans will vote your shares in accordance with your instructions and if you fail to give the trustee proper instructions, it will vote your shares in the same proportion that other Nicor 401(k) Plans participants have voted their shares.

Why did I receive a Notice of Internet Availability of Proxy Materials (Notice) in the mail instead of a printed set of proxy materials?

Pursuant to the rules of the Securities and Exchange Commission, we are permitted to furnish our proxy materials over the internet to our shareholders by delivering a Notice in the mail. We are sending the Notice to certain record and beneficial shareholders. These shareholders have the ability to access the proxy materials, including our proxy statement and annual report, at www.proxyvote.com or to request a printed or email set of the proxy materials. Instructions on how to access the proxy materials over the internet or to receive a printed set may be found in the Notice. Shareholders who receive a printed set of proxy materials will not receive the Notice, but may still access our proxy materials over the internet at www.proxyvote.com.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be Held on May 1, 2012

The proxy statement and annual report are available at www.proxyvote.com

What will I be voting on?

You will be voting on:

Proposal 1 the election of sixteen directors to serve until the 2013 annual meeting;

Proposal 2 the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2012;

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Proposal 3 the approval of a non-binding resolution to approve the compensation of our Named Executive Officers, as

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described in the Compensation Discussion and Analysis section, the tabular disclosure regarding such compensation, and the accompanying narrative disclosure, set forth in this 2012 annual shareholder meeting proxy statement; and

such other business as may properly come before the annual meeting or any adjournments.

How does the board recommend I vote on the proposals?

The board of directors recommends you vote FOR each of proposals 1-3 listed above.

How do I vote?

Most of our shareholders have three options for submitting their votes:

By telephone,

Via the internet, or

By mail.

If your AGL Resources shares are held in your name on the records maintained by Wells Fargo Bank, N.A., our transfer agent (meaning you are a shareholder of record), please follow the instructions on your proxy card.

If your AGL Resources shares are held through a brokerage firm or bank (that is, in street name), your ability to vote by telephone or over the internet depends on the voting process of your brokerage firm or bank. Please follow the directions on your vote instruction card.

Regardless of whether your AGL Resources shares are held by you as a record shareholder or in street name, you may attend the meeting and vote your shares in person. Please note that if your shares are held in street name and you want to vote in person, you must bring evidence of your stock ownership, such as a proxy obtained from

your street name nominee (particularly if you want to vote your shares at the annual meeting) or your most recent brokerage account statement (in which case you will not be able to vote your shares at the meeting), together with valid picture identification.

Even if you plan to attend the meeting, we encourage you to vote your shares by telephone, internet or mail to simplify the voting process at the meeting.

How do I vote if my shares are held in one of the 401(k) plans?

If your AGL Resources shares are held in one of the 401(k) plans, only the trustee of the plan can vote your plan shares even if you attend the annual meeting in person. The plan trustee will vote your shares in accordance with your telephone, internet or written proxy vote. Please follow the instructions on your proxy card.

May I revoke my proxy?

Yes. You may revoke your proxy or vote instructions at any time before the annual meeting by voting again by telephone or via the internet or by timely signing and returning another proxy or vote instruction card with a later date. Additionally, if you are a shareholder of record or if you are a street name holder who has obtained a vote instruction card from your street name nominee, and you decide to attend the meeting and vote in person, you may request that any proxy or vote instruction card that you previously submitted not be used.

What if I don't specify my choices when returning my proxy or vote instruction card?

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If you return a signed and dated proxy or vote instruction card without indicating your vote, your shares will be voted FOR each of proposals 1-3 specified in the notice of the

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meeting and in the discretion of the proxies on any other matter that may properly come before the meeting.

If you hold AGL Resources shares through one of our 401(k) plans and you return the proxy card but do not properly sign or date it or specify how you want your plan shares voted, it is expected that in the case of the AGL 401(k) Plan, the plan trustee, upon instruction from the Administrative Committee of the AGL 401(k) Plan, will vote your plan shares FOR each of proposals 1-3 specified in the notice of the meeting and as instructed by the Administrative Committee on any other proposals that may properly come before the meeting. In the case of the Nicor 401(k) Plans, the plan trustee will vote your plan shares in the same proportion that other Nicor 401(k) Plans participants have voted their shares.

May my shares be voted if I don't submit a proxy or voting instructions?

If your AGL Resources shares are registered in your name on the books kept by our transfer agent and you do not return a signed proxy and do not vote by telephone or via the internet or in person at the meeting, your shares will not be voted.

If your AGL Resources shares are held in street name and you do not submit any voting instructions, your brokerage firm or bank may or may not vote your shares with regard to each of the three proposals, depending on stock exchange rules. If your AGL Resources shares are held through one of the 401(k) plans and you do not return the proxy card for those plan shares and do not vote by telephone or the internet or in person, it is expected that, in the case of the AGL 401(k) Plan, the plan trustee, upon instruction from the Administrative Committee of the AGL 401(k) Plan, will vote your shares FOR each of proposals 1-3 specified in the notice of the meeting and as instructed by the Administrative Committee on any other proposals that may properly come before the

meeting. In the case of the Nicor 401(k) Plans, the plan trustee will vote your shares in the same proportion that other Nicor 401(k) Plans participants have voted their shares.

How many shares may I vote?

As of the February 22, 2012, record date for voting at the annual meeting, 117,230,974 shares of common stock of AGL Resources were outstanding and entitled to be voted at the annual meeting. You are entitled to one vote for each share of AGL Resources common stock you owned on the record date. The 31,668 shares held by a trust which holds assets for our Nonqualified Savings Plan are included in the number of shares outstanding but are not eligible to be voted.

Is there a list of shareholders entitled to notice of the annual meeting?

A list of shareholders entitled to notice of the annual meeting is available for inspection by any shareholder between the hours of 9:00 a.m. and 5:00 p.m., Eastern time, at our headquarters at Ten Peachtree Place, Atlanta, Georgia. Please contact our Corporate Secretary at AGL Resources Inc., P.O. Box 4569, Location 1466, Atlanta, Georgia 30302-4569, if you would like to review the shareholder list. The shareholder list will also be available at the annual meeting for inspection by any shareholder.

How many votes must be present to hold the annual meeting?

A majority of the 117,230,974 shares of AGL Resources common stock outstanding on the record date, not including the 31,668 shares held by the Nonqualified Savings Plan trust which are not eligible to be voted, must be present, either in person or represented by proxy, to conduct the annual meeting.

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How many votes are needed to approve each of the proposals?

The following are the vote requirements for each of the proposals:

Election of sixteen directors: Directors are elected by a plurality of the total number of votes cast, which means the sixteen nominees who receive the largest number of properly cast votes will be elected as directors.

Ratification of the appointment of PricewaterhouseCoopers LLP: Ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm requires the votes cast for to exceed the votes cast against.

Advisory Vote on Executive Compensation: Adoption of the non-binding resolution to approve executive compensation requires a majority of the votes cast to be votes FOR the proposal.

What happens if a director nominee fails to receive a majority of the votes cast in his or her election?

As described under the caption, Proposal 1 Election of Directors General, our bylaws provide that if a director nominee in an uncontested election is elected by the required plurality vote of the shareholders but does not receive the affirmative vote of the holders of a majority of the shares voted, the director must promptly tender his or her resignation to the board of directors following certification of the shareholder vote. The Nominating, Governance and Corporate Responsibility Committee must then recommend to the board of directors whether to accept or reject the tendered resignation or whether to take other action. The board must then act on the tendered resignation and publicly disclose its decision and the rationale behind the decision within 90 days after the certification of the election results.

What if I vote withhold authority to elect directors?

In voting for the election of directors, a vote to withhold authority for the election of one or more director nominees will be counted for quorum purposes, but because the vote required to elect directors is a plurality vote, a vote to withhold authority will not affect the outcome of the election. However, a vote to withhold authority will be counted for purposes of determining whether a director nominee received the affirmative vote of holders of a majority of the shares voted. Please see *What happens if a director nominee fails to receive a majority of the votes cast in his or her election?* above.

How will abstentions and broker non-votes be treated?

Abstentions and broker non-votes will be treated as shares present and entitled to vote for quorum purposes. Abstentions and broker non-votes will not be treated as votes cast, and consequently they will not affect the outcome of the vote on the election of directors or the determination of whether a director nominee has received the affirmative vote of the holders of a majority of the shares voted (Proposal 1), the proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm (Proposal 2), or the proposal to adopt the non-binding resolution to approve the compensation of our named executive officers (Proposal 3).

Broker non-votes occur on a matter up for vote when a broker, bank or other holder of shares you own in street name is not permitted to vote on that particular matter without instructions from you, you do not give such instructions and the broker or other nominee indicates on its proxy card, or otherwise notifies us, that it does not have authority to vote its shares on that matter.

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Whether a broker has authority to vote its shares on uninstructed matters is determined by stock exchange rules.

Could other matters be decided at the annual meeting?

We do not know of any other matters that will be considered at the annual meeting. If a matter that is not listed on the proxy or vote instruction card is properly brought before the annual meeting in accordance with Section 1.2 of our bylaws, the persons named as proxies will vote in accordance with their judgment of what is in the best interest of the Company, based on the discretionary voting authority conferred on them by the proxy and vote instruction cards.

Who will count the votes?

Representatives of Broadridge Financial Solutions, Inc. will count the votes and act as inspector of elections.

Where and when will I be able to find the voting results?

We will post the voting results on our web site at www.aglresources.com within four business days after the annual meeting. You also may find the results in a Current Report on Form 8-K, which we expect to file with the Securities and Exchange Commission, or SEC, within four business days following the annual meeting.

What does it mean if I receive more than one proxy card?

It means that you have multiple accounts with brokerage firms, banks and/or our transfer agent. Please vote all of these shares. We recommend that you contact your broker, bank and/or our transfer agent to consolidate as many accounts as possible under the same name and address. All communications concerning accounts for shares registered in your name on the books kept by our transfer

agent, including address changes, name changes, inquiries to transfer shares and similar issues, may be handled by making a toll-free call to Wells Fargo Shareowner Services at (800) 468-9716.

What do I need to bring with me if I want to attend the annual meeting?

The annual meeting is open to all holders of our common stock. To attend the annual meeting, you will need to bring an admission ticket and valid picture identification. If your shares are registered in your name on the books kept by our transfer agent or your shares are held in one of the 401(k) plans, your admission ticket is part of your proxy card or may be printed from the internet when you vote online.

If your shares are held in street name by your brokerage firm or bank, you will need to bring evidence of your stock ownership, such as a proxy obtained from your street name nominee (particularly if you want to vote your shares at the annual meeting) or your most recent brokerage account statement (in which case you will not be able to vote your shares at the meeting), together with valid picture identification. You may also request us to send you an admission ticket. If you do not have either an admission ticket or proof that you own our common stock, together with valid picture identification, you may not be admitted to the meeting.

What happens if the annual meeting is postponed or adjourned?

Your proxy will still be valid and may be voted at a postponed or adjourned meeting, unless the board of directors fixes a new record date for the postponed or adjourned meeting, which the board is required to do if the postponement or adjournment is for more than 120 days. If the meeting is postponed or adjourned, you will still be able to change or revoke your proxy until it is voted.

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When are shareholder proposals for the 2013 annual meeting due?

Our bylaws require shareholders to give us advance notice of any shareholder nominations of directors and of any other matters shareholders wish to present for action at an annual meeting of shareholders. The required notice must be given within a prescribed time frame, which is calculated by reference to the date of the proxy statement relating to our most recent annual meeting. Accordingly, with respect to our 2013 annual meeting of shareholders, our bylaws require notice to be provided to our Corporate Secretary at AGL Resources Inc., P.O. Box 4569, Location 1466, Atlanta, Georgia 30302-4569 no later than November 16, 2012. If a shareholder fails to provide timely notice of a proposal to be presented at the 2013 annual meeting, the persons designated as proxies by the board of directors will have discretionary authority to vote, and the respective trustees of the 401(k) plans will vote in accordance with the instructions of the Administrative Committee of the 401(k) plans based on its discretionary authority, on any such proposal that may come before the meeting.

If you are interested in submitting a proposal for inclusion in our proxy statement for the annual meeting in 2013, you need to follow the procedures outlined in the SEC's Rule 14a-8. To be eligible for inclusion, your shareholder proposal intended for inclusion in the proxy statement for the 2013 annual meeting of shareholders must be received no later than November 16, 2012, by our Corporate Secretary at the address above.

This deadline does not apply to questions a shareholder may wish to ask at the annual meeting.

Who pays the costs associated with this proxy solicitation?

AGL Resources pays the expenses of soliciting proxies. We may consider the engagement of a proxy solicitation firm to assist in the solicitation of proxies. Additionally, proxies may be solicited on our behalf by directors, officers and employees, in person or by telephone, facsimile or electronic transmission. Directors, officers and employees will not be paid additional fees for those services.

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CORPORATE GOVERNANCE

Board of Directors

Our business affairs are managed under the direction of the board of directors in accordance with the Georgia Business Corporation Code, our articles of incorporation and our bylaws. The role of the board of directors is to govern our affairs for the benefit of our shareholders and other constituencies, which include our employees, customers, suppliers, creditors and the communities in which we do business. The board strives to ensure the success and continuity of our business through the appointment of qualified executive management, overseen by the board.

Director Independence

Pursuant to New York Stock Exchange listing standards, our board of directors has adopted a formal set of categorical Standards for Determining Director Independence. In accordance with these Standards, a director must be determined to have no material relationship with the Company other than as a director in order to be considered an independent director. The Standards specify the criteria by which the independence of our directors will be determined, including strict guidelines for directors and their immediate family members with respect to past employment or affiliation with the Company or its independent registered public accounting firm. The Standards also set forth independence criteria applicable to members of the Audit Committee, the Compensation and Management Development Committee and the Nominating, Governance and Corporate Responsibility Committee of the board of directors. These Standards are available on our website at www.aglresources.com.

In accordance with these Standards, the board undertook in February 2012 an annual review of director independence. Based on this review, the board has affirmatively determined

that, as to each current non-employee director, no material relationship exists that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each current non-employee director qualifies as independent in accordance with the Standards and the independence standards of the New York Stock Exchange. John W. Somerhalder II, our chairman, president and chief executive officer, is not independent because of his employment by the Company.

Mr. Somerhalder will not participate in any action of the board related to his compensation or any other matters requiring action by only non-employee directors.

In making these independence determinations, the board considered that in the ordinary course of business, transactions may occur between the Company and its subsidiaries and companies at which some of our directors are or have been directors, officers or employees. The board also considered that the Company and its subsidiaries may make charitable contributions to not-for-profit organizations where our directors or their immediate family members serve or are executive officers. More specifically, the board of directors considered certain related party transactions between our Company and Mr. Olivera, a member of our board of directors. For more detailed information about these transactions and the board's determination that Mr. Olivera is independent notwithstanding these transactions, please see Certain Relationships and Related Transactions.

Policy on Related Person Transactions

The board of directors recognizes that related person transactions present a heightened risk of conflicts of interest and, therefore, has adopted a written policy with respect to related person transactions. For the purpose

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of the policy, a Related Person is (a) each executive officer as defined under Section 16 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, (b) each executive and senior vice president of AGL Resources, (c) each nominee for or member of the board of directors, (d) each holder of more than 5% of our common stock, or a Significant Shareholder, and (e) any immediate family member, as defined under the Exchange Act, of the persons listed in (a) through (d) above. A Related Person Transaction is a transaction between us and any Related Person, other than (1) transactions available to all employees or customers generally; (2) transactions involving less than \$120,000 when aggregated with all similar transactions; (3) transactions excluded from disclosure in paragraphs four through seven of the instructions to Item 404(a) of Regulation S-K of the Exchange Act; and (4) charitable contributions by the Company to a charitable organization with which a Related Person's only relationship is as an employee (other than an executive officer), if the aggregate amount involved does not exceed the greater of \$1,000,000 or 2% of the charitable organization's annual receipts for the preceding fiscal year.

Under the policy, when management becomes aware of a Related Person Transaction involving a dollar amount that is less than 2% of either the Company's consolidated gross revenues or the consolidated gross revenues of the Related Person, or any affiliate of such Related Person, for the prior fiscal year, management reports the transaction to the Chairman of the Nominating, Governance and Corporate Responsibility Committee. When management becomes aware of a Related Person Transaction involving a dollar amount that is equal to or exceeds two percent of either the Company's consolidated gross revenues or the consolidated gross revenues of the Related Person, or any affiliate of such Related Person, for the prior fiscal year, management reports the transaction to

the Nominating, Governance and Corporate Responsibility Committee and requests approval or ratification of the transaction.

Transactions requiring approval or ratification must be approved by a majority of the disinterested members of the Nominating, Governance and Corporate Responsibility Committee. The Chairman will report to the full Nominating, Governance and Corporate Responsibility Committee at its next regularly scheduled committee meeting any related person transactions that are presented to him or her. The Nominating, Governance and Corporate Responsibility Committee will report to the full board all Related Person Transactions presented to it.

Board Leadership Structure and Role in Risk Oversight

Our Company is led by Mr. John Somerhalder, who has served as our president and chief executive officer since March 2006 and our chairman, president and chief executive officer since October 2007. Our board of directors consists of Mr. Somerhalder and fifteen independent directors. Each of the standing committees of our board of directors is chaired by an independent director and each of our Audit, Compensation and Management Development and Nominating, Governance and Corporate Responsibility committees is comprised entirely of independent directors.

Under our Guidelines on Significant Corporate Governance Issues, or our Corporate Governance Guidelines, a copy of which is available on our web site at www.aglresources.com, if the chairman of the board of directors is an executive officer or employee of the Company, then the board of directors shall appoint, from among the independent directors, a lead director. Mr. Arthur E. Johnson currently serves as our Lead Director.

The board of directors appoints the Lead Director for a term ending on the earlier of

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(a) three years from the date of appointment or (b) the last day of the individual's service on the board of directors. The Lead Director: (a) serves as chairman of the Executive Committee of the board of directors; (b) presides at the executive sessions of non-management directors; (c) collaborates with our chairman, president and chief executive officer, our general counsel and our corporate secretary on setting the annual calendar for all regular meetings of the board and its standing committees; (d) maintains close contact with the chairperson of each standing committee; (e) oversees the Company's policy on communications between shareholders or other interested parties and non-management directors; and (f) communicates the results of the annual evaluation of the chief executive officer to the chief executive officer on behalf of the board of directors.

Our Audit Committee has the responsibility to review with management the Company's (i) policies governing the process by which risk assessment and risk management are undertaken; and (ii) major financial risk exposures and the steps management has taken to monitor and control such exposures. Our Finance and Risk Management Committee has the responsibility to (i) review with management the steps taken by management to ensure compliance with the Company's risk management policies and procedures relating to interest rate risk, currency risk, credit risk, commodity risk, insurable risks and derivatives related to any of the foregoing; (ii) review steps taken by management to establish and monitor trading and risk management systems and controls at the Company's asset management and optimization businesses and to ensure compliance at such businesses with risk management policies and procedures applicable to such businesses; and (iii) review management's assessment of controls and procedures associated with such businesses' management of transactions with affiliates and any reporting obligations to state or federal

regulatory authorities. Our chief risk officer provides a quarterly report to the Finance and Risk Management Committee and meets in executive sessions with the Finance and Risk Management Committee at each regularly scheduled meeting. Each of the other committees of the board of directors has principal responsibility for reviewing and discussing with management those risk exposures: (i) specified in their charters or (ii) identified from time to time by the committees themselves or by the Audit Committee.

We determined our current board leadership structure is appropriate and helps ensure proper risk oversight for the Company, for a number of reasons, the most significant of which are the following:

A combined chairman and chief executive officer role allows for more productive meetings. The chief executive officer is the individual selected by the board of directors to manage the Company on a day to day basis, and his direct involvement in the Company's operations makes him best positioned to lead productive board strategic planning sessions and determine the time allocated to each agenda item in discussions of the Company's short- and long-term objectives.

Our board structure provides strong oversight by independent directors and in addition a majority of our operations are subject to extensive regulation. Our Lead Director's responsibilities include leading executive sessions of the board of directors during which our independent directors meet without management. These executive sessions allow the board of directors to review key decisions and discuss matters in a manner that is independent of the chief executive officer, and where necessary, critical of the chief executive officer and senior management. In addition, each of our board's standing

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committees (including the Finance and Risk Management Committee) is chaired by an independent director.

Recognizing there may be a circumstance where a shareholder or other interested party's interest should be represented independent of management, a key responsibility of the Lead Director is to receive, review and, where necessary, act upon direct communications from shareholders and other interested parties.

If you wish to communicate directly with (i) the board of directors generally, (ii) the presiding director of executive sessions of non-management directors (our Lead Director), or (iii) non-management directors as a group, you should call the Company's Ethics and Compliance Helpline at (800) 350-1014 or

at www.mycompliancereport.com using the access ID, AGL. Calls to the helpline and reports made via the website, if you choose, can be made anonymously.

Committees of the Board

The board of directors has established five standing committees to assist it in discharging its duties. Actions taken by any committee of the board are reported to the board, usually at the board meeting next following a committee meeting. Each standing committee has adopted a written charter, which is available on our web site at www.aglresources.com and is available upon request to our Corporate Secretary at AGL Resources Inc., P.O. Box 4569, Location 1466, Atlanta, Georgia 30302-4569. The committees of the board and their members at December 31, 2011 were as shown in the following table.

Members of the Board's Committees

	Audit	Compensation and Management Development	Executive	Finance and Risk Management	Nominating, Governance and Corporate Responsibility
Sandra N. Bane	Ö	Ö			
Thomas D. Bell, Jr.		Ö		Ö	
Norman R. Bobins	Ö	Ö			
Charles R. Crisp		Ö		Ö	
Brenda J. Gaines	Ö				Ö
Arthur E. Johnson**			Ö*	Ö	Ö
Wyck A. Knox, Jr.	Ö				Ö
Dennis M. Love	Ö		Ö		Ö*
Charles H. McTier	Ö				Ö
Dean R. O Hare	Ö				Ö
Armando J. Olivera				Ö	
John E. Rau			Ö	Ö	Ö
James A. Rubright		Ö	Ö	Ö*	
John W. Somerhalder II			Ö	Ö	
Bettina M. Whyte		Ö*	Ö	Ö	
Henry C. Wolf	Ö*	Ö	Ö		

* Denotes committee chair.

** Denotes Lead Director.

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Audit Committee

The Audit Committee met eight times during 2011. The Audit Committee's primary function is to assist the board of directors in fulfilling its oversight responsibilities. Among other things, the Audit Committee reviews (1) the integrity of our financial statements, including our internal control over financial reporting, (2) our compliance with legal and regulatory requirements, (3) the independent registered public accounting firm's qualifications and independence, (4) the performance of our internal audit function, and (5) the performance of the independent registered public accounting firm. Our chief financial officer, chief ethics and compliance officer, chief audit executive, chief accounting officer and controller, and representatives of our independent registered public accounting firm each provide a quarterly report to and meet in separate executive sessions with the Audit Committee each quarter.

The board of directors has determined that all members of the Audit Committee satisfy the enhanced independence standards applicable to all members of the Audit Committee under the independence requirements of the SEC, the New York Stock Exchange and the Company's Standards for Determining Director Independence. The board also has determined that all members of the Audit Committee meet the financial literacy requirements of the New York Stock Exchange listing standards. The board has further determined that Henry C. Wolf, the Audit Committee Chair, is an audit committee financial expert within the meaning of SEC regulations. Information regarding Mr. Wolf's qualification as an audit committee financial expert is included in his biographical information under the caption, Proposal 1 Election of Directors.

Additional information regarding the Audit Committee and its functions and responsibilities is included in this proxy statement under the captions Audit Committee Report and Proposal

2 Ratification of the Appointment of PricewaterhouseCoopers LLP as our Independent Registered Public Accounting Firm for 2012.

Compensation and Management Development Committee

The Compensation and Management Development Committee met seven times during 2011. All members of the Compensation and Management Development Committee are independent, non-employee directors, as defined under the listing standards of the New York Stock Exchange and our Standards for Determining Director Independence. Among other things, the Compensation and Management Development Committee assists the board of directors in its efforts to achieve its goal of maximizing the long-term total return to shareholders by establishing policies by which officers, directors and employees are to be compensated in accordance with the board's compensation philosophy and objectives and by overseeing management succession and executive development processes.

The board of directors delegated to the Compensation and Management Development Committee the following areas of responsibility that are more fully described in the Compensation and Management Development Committee's charter: (1) evaluation of the chief executive officer, (2) succession and development planning for executive officers, (3) compensation of non-employee members of the board of directors, (4) compensation of the executive officers, including salary, short- and long-term incentives, and employment or severance arrangements, (5) establishment of performance objectives for executive officers under the Company's short- and long-term incentive compensation plans and determination of the attainment of such performance objectives, and (6) oversight of benefit plans and administration of long-term incentive plans.

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The Compensation and Management Development Committee has delegated to our chief executive officer the authority to grant equity awards to employees of the Company solely in connection with non-annual grants to employees other than executive officers. The Compensation and Management Development Committee has established narrowly defined, pre-approved parameters regarding the terms and conditions of grants under the delegated authority, including the eligible employee groups, the maximum number of shares subject to the delegation, the determination of the exercise price and other terms and conditions of the awards. The Compensation and Management Development Committee also adopted a stock option grant policy that provides additional terms and conditions for making grants. See Compensation Discussion and Analysis Grants of Long-Term Incentive Awards for more detail concerning our stock option grant policy.

Our chief executive officer, based on the performance evaluations of the other executive officers, recommends to the Compensation and Management Development Committee compensation for those executive officers. The executive officers, including our chief executive officer, also provide recommendations to the Compensation and Management Development Committee from time to time related to compensation philosophy, program design, compliance, performance measures and competitive strategy.

The Compensation and Management Development Committee's charter provides that the Compensation and Management Development Committee, in its sole discretion, has the authority to retain a compensation consultant. Accordingly, Frederic W. Cook & Co., Inc., or F.W. Cook, was retained directly by the Compensation and Management Development Committee to assist it in 2011. F.W. Cook's role is to provide expertise and data as needed by the Compensation and Management Development Committee

pertaining to all aspects of executive and director compensation, including but not limited to advice and counsel as to the amount and form of executive and director compensation, and to advise the Compensation and Management Development Committee on emerging trends, best practices and regulatory practices.

Executive Committee

The Executive Committee did not meet during 2011. The Executive Committee may meet during intervals between board meetings and has the same authority as the full board of directors, subject to limitations imposed by law or our bylaws.

Finance and Risk Management Committee

The Finance and Risk Management Committee met four times during 2011. The Finance and Risk Management Committee's primary function is to assist the board of directors in fulfilling its oversight responsibilities. Among other things, the Finance and Risk Management Committee oversees (1) the management of our balance sheet including leverage, liquidity, funding sources, and related matters, (2) the annual capital budget and certain capital projects, (3) management's assessments, actions, processes and procedures concerning our exposure to risks identified in the Finance and Risk Management Committee's charter, and (4) any other matters that the board may delegate to the Finance and Risk Management Committee from time to time. Our chief risk officer provides a quarterly report to and meets in executive session with the Finance and Risk Management Committee at each regularly scheduled meeting.

Nominating, Governance and Corporate Responsibility Committee

The Nominating, Governance and Corporate Responsibility Committee met five times during 2011. All members of the Nominating,

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Governance and Corporate Responsibility Committee are independent, non-employee directors, as defined under the listing standards of the New York Stock Exchange and our Standards for Determining Director Independence. The Nominating, Governance and Corporate Responsibility Committee's primary responsibilities include (1) identifying individuals qualified to serve on the board of directors and recommending director nominees for selection by the full board of directors or shareholders, (2) evaluating, formulating and recommending to the board of directors corporate governance policies, and (3) overseeing the Company's position on corporate social and environmental responsibilities.

Nomination of Director Candidates. The board of directors is responsible for recommending director candidates for election by the shareholders and for electing directors to fill vacancies or newly created directorships. The board of directors has delegated the screening and evaluation process for director candidates to the Nominating, Governance and Corporate Responsibility Committee, which identifies, evaluates and recruits highly qualified director candidates and recommends them to the board of directors. Potential candidates for director may come to the attention of the Nominating, Governance and Corporate Responsibility Committee through current directors, management, professional search firms, shareholders or other persons.

If the Nominating, Governance and Corporate Responsibility Committee has either identified a prospective nominee or determined that an additional or replacement director is required, the Nominating, Governance and Corporate Responsibility Committee may take such measures that it considers appropriate in connection with its evaluation of a director candidate, including candidate interviews, engagement of an outside firm to gather additional information and inquiry of persons with knowledge of the candidate's

qualifications and character. In its evaluation of director candidates, including the members of the board of directors eligible for reelection, the Nominating, Governance and Corporate Responsibility Committee considers the current size and composition of the board of directors and the needs of the board of directors and the respective committees of the board in view of the criteria for directors described in our Corporate Governance Guidelines, a copy of which is available on our web site at www.aglresources.com.

The Nominating, Governance and Corporate Responsibility Committee will consider director nominees proposed by shareholders. A shareholder may recommend a person for nomination for election to our board of directors by writing to our Corporate Secretary at AGL Resources Inc., P.O. Box 4569, Location 1466, Atlanta, Georgia 30302-4569. Pursuant to our Corporate Governance Guidelines, each submission must include:

A brief biographical description of the candidate, including background and experience;

The candidate's name, age, business address, and residence address;

The candidate's principal occupation;

The following information about the shareholder making the recommendation:

the name and record address of such shareholder;

the number of shares of our common stock owned beneficially or of record by such shareholder;

a description of all arrangements or undertakings between such shareholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nominations are to be made by such shareholder; and

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The written consent of the candidate to being named as a nominee and to serve as a director if elected. A shareholder's recommendation for a candidate for nomination to be elected at the next annual meeting of shareholders must be received by our corporate secretary no later than 45 days prior to the end of the year preceding such annual meeting of shareholders. The Nominating, Governance and Corporate Responsibility Committee will evaluate these recommendations in the same manner as it evaluates all other nominees, using the criteria described in our Corporate Governance Guidelines.

The Nominating, Governance and Corporate Responsibility Committee periodically engages a third party search firm to identify possible director candidates for the Nominating, Governance and Corporate Responsibility Committee's consideration based on skills and characteristics identified by the Nominating, Governance and Corporate Responsibility Committee and in light of gaps in board composition that the Nominating, Governance and Corporate Responsibility Committee may identify from time to time as the issues facing the board evolve. Such skills and characteristics desirable in the context of the then current make-up of the board of directors may include diversity, age, business or professional background, financial literacy and expertise, availability, commitment, independence and other relevant criteria.

Practices for Considering Diversity. The charter of the Nominating, Governance and Corporate Responsibility Committee provides that it shall review, at least annually, the appropriate skills and characteristics of members of the board of directors in the context of the then current make-up of the board. This assessment includes the following factors: diversity (including diversity of skills, background and experience); age; business or professional background; financial literacy and

expertise; availability and commitment; independence; and other criteria that the Nominating, Governance and Corporate Responsibility Committee or the full board finds to be relevant. It is the practice of the Nominating, Governance and Corporate Responsibility Committee to consider these factors when screening and evaluating candidates for nomination to the board of directors.

Board and Committee Meetings

Members of the board are kept informed through reports routinely presented at board and committee meetings by our chief executive officer and other officers and through other means. During 2011, the board of directors held five meetings. Each director attended 75% or more of the aggregate of all meetings of the board and each committee on which he or she served.

Executive Sessions without Management

To promote open discussion among the non-management directors, the board of directors schedules regular executive sessions in which the non-management directors meet without management's participation. Such sessions are scheduled to occur at every regularly scheduled board meeting. The presiding director at such executive sessions is the Lead Director and Chairman of the Executive Committee of the board of directors. During 2011, the board met in executive session five times.

Communications with Directors

Shareholders and other interested parties may communicate with our board of directors or, alternatively, with the presiding director of executive sessions of our non-management directors or with the non-management directors as a group via our Ethics and Compliance Helpline at (800) 350-1014 or at www.mycompliancereport.com. A copy of our

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Procedures for Communicating with the Board of Directors of AGL Resources Inc. is available on our web site at www.aglresources.com and is available in print to any shareholder who requests it from our Corporate Secretary at AGL Resources Inc., P.O. Box 4569, Location 1466, Atlanta, Georgia 30302-4569.

Ethics and Compliance Program

The board of directors is responsible for overseeing management's implementation of the Company's ethics and compliance program to ensure that our business is conducted in a consistently legal and ethical manner. As part of the ethics and compliance program, our Company has established, and the board of directors has approved, a code of conduct entitled "Commitment to Integrity and Ethics" Our Code of Conduct and Ethics. Our Code of Conduct and Ethics governs the way we treat our customers and co-workers, guides our community interactions, and strengthens our commitment to excellence and integrity. The Code of Conduct and Ethics covers a wide range of professional conduct, including environmental, health and safety standards, employment policies, conflicts of interest, accuracy of records, fair dealing, insider trading and strict adherence to all laws and regulations applicable to the conduct of our business. Under the Code of Conduct and Ethics, employees are required to conduct the Company's activities in an ethical and lawful manner and all employees are expected to report any situation where they believe our internal policies or external laws are being violated. Our Code of Conduct and Ethics applies to our directors, officers and all of our employees.

In addition, the board of directors has adopted a Code of Ethics for the Chief Executive Officer and the Senior Financial Officers, or our Officers Code of Ethics, designed to deter wrongdoing and promote the following: honest and ethical conduct; full, fair, accurate, timely and understandable disclosure in documents

filed with or submitted to the SEC; compliance with applicable governmental laws, rules and regulations; prompt internal reporting of violations of the Officers Code of Ethics; and accountability for adherence to the Officers Code of Ethics.

Any waiver of the Code of Conduct and Ethics or Officers Code of Ethics for an executive officer or, where applicable, for a member of the board of directors, requires the approval of the board of directors or a duly authorized committee of the board and will be promptly disclosed on our website at www.aglresources.com. No waivers have been granted under the codes.

The board of directors also has adopted Guidelines on Significant Corporate Governance Issues, or our Corporate Governance Guidelines, that set forth guidelines for the operation of the board of directors and its committees. The board periodically reviews our governance practices and procedures, evaluating them against corporate governance best practices.

Our Code of Conduct and Ethics, our Officers Code of Ethics and our Corporate Governance Guidelines are available on our website at www.aglresources.com. They also are available to any shareholder upon request to our Corporate Secretary at AGL Resources Inc. at P.O. Box 4569, Location 1466, Atlanta, Georgia 30302-4569.

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The following table presents information as of December 31, 2011, concerning the beneficial ownership of AGL Resources common stock by each director and director nominee, by each executive officer named in the Summary Compensation Table under the caption Executive Compensation Compensation Paid to Named Executive Officers, whom we refer to collectively as the named executive officers, and by all executive officers and directors as a group, based on information furnished by them to us.

Beneficial ownership as reported in the table below has been determined in accordance

with SEC regulations and includes shares of common stock which may be acquired within 60 days after December 31, 2011, upon the exercise of outstanding stock options but excludes shares and share equivalents held under deferral plans which are disclosed in a separate column. See note (3) below. Unless otherwise indicated, all directors, director nominees and executive officers have sole voting and investment power with respect to the shares shown. As of December 31, 2011, no individual director, director nominee, named executive officer, or executive officers and directors as a group owned beneficially 1% or more of our common stock.

Name	Shares of Common Stock Beneficially Owned		Shares and Share Equivalents Held Under Deferral Plans(2)	Total
	Owned Shares	Option Shares(1)		
Sandra N. Bane	1,000	0	9,201	10,201
Thomas D. Bell, Jr.	24,033	0	0	24,033
Norman R. Bobins(3)	4,132	0	0	4,132
Charles R. Crisp	7,926	0	12,360	20,286
Arthur E. Johnson	4,220	0	36,311	40,531
Brenda J. Gaines	3,087	0	0	3,087
Wyck A. Knox, Jr.	12,122	0	34,762	46,884
Dennis M. Love	16,296	7,173	35,725	59,194
Charles H. McTier	2,280	0	12,412	14,692
Dean R. O Hare	14,139	0	789	14,928
Armando J. Olivera	1,875	0	0	1,875
John E. Rau	8,119	0	0	8,119
James A. Rubright	12,252	0	22,221	34,473
John W. Somerhalder II	146,244	362,133	28,936	537,313
Bettina M. Whyte	12,710	0	9,942	22,652
Henry C. Wolf	21,645	0	11,275	32,920
Andrew W. Evans	50,499	101,253	0	151,752
Henry P. Linginfelter	60,904	40,213	38	101,155
Paul R. Shlanta	37,357	36,793	0	74,150
Peter I. Tumminello	28,064	21,213	0	49,277
All executive officers and directors as a group (22 persons)(4)	518,153	628,638	213,972	1,360,763

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- (1) For the non-employee directors, reflects the shares that may be acquired upon exercise of stock options granted under the 1996 Non-Employee Directors Equity Compensation Plan (which we refer to as the 1996 Directors Plan) and for the executive officers, reflects the shares that may be acquired upon exercise of stock options granted under the AGL Resources Inc. Omnibus Performance Incentive Plan, as Amended and Restated (which we refer to as the OPIP), the Long-Term Incentive Plan (1999) (which we refer to as the Long-Term Incentive Plan) and which was the predecessor plan to the OPIP, or under the Officer Incentive Plan.
- (2) Represents shares of common stock, common stock equivalents and accrued dividend credits held for non-employee directors under the 1998 Common Stock Equivalent Plan for Non-Employee Directors, which we refer to as the Common Stock Equivalent Plan, and, for the named executive officers, under the Nonqualified Savings Plan. The common stock equivalents track the performance of AGL Resources common stock and are payable in cash. The shares and share equivalents may not be voted or transferred by the participants.
- (3) Includes 502 shares held in a trust for which Mr. Bobins has sole voting and investment power with respect to the shares.
- (4) Includes 3,398 shares for which a member of the group who is not a named executive officer has shared voting and investment power.

Owners of More Than 5% of AGL Resources Common Stock

We are aware of the following shareholders who beneficially own more than 5% of AGL Resources common stock.

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percent of Class
Blackrock, Inc. 40 East 52 nd Street New York, NY 10022	7,987,338(1)	6.84
The Vanguard Group, Inc 100 Vanguard Blvd. Malvern, PA 19355	6,273,722 (2)	5.37

Notes to Owners of More Than 5% Table

- (1) Based on Schedule 13G/A filed with the SEC on February 13, 2012, in which Blackrock, Inc. reported that it has sole voting power and sole dispositive power with respect to all 7,987,338 shares.
- (2) Based on Schedule 13G filed with the SEC on February 7, 2012, in which The Vanguard Group, Inc. reported that it has sole voting power of 160,936 of the total shares, sole dispositive power of 6,112,786 of the total shares and shared dispositive power of 160,936 of the total shares. Vanguard Fiduciary Trust Company (VFTC), a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 160,936 shares or 0.13% of the common stock outstanding of the Company as a result of its serving as investment manager of collective

trust accounts. VFTC directs the voting of these shares.

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DIRECTOR COMPENSATION

General

A director who is one of our employees receives no additional compensation for his or her services as a director or as a member of a committee of our board. A director who is not one of our employees (a non-employee director) receives compensation for his or her services as described in the following paragraphs. All directors are reimbursed for reasonable expenses incurred in connection with attendance at board and committee meetings.

Annual Retainer

Each non-employee director receives an annual retainer for service as a director on the first day of each annual service term. The amount and form of the annual retainer are fixed from time to time by resolution of the board. Effective December 9, 2011, the annual retainer was increased from \$105,000 to \$190,000, of which \$95,000, or the Cash Portion, is payable in cash and \$95,000, or the Equity Portion, is payable in shares of our common stock on the first day of each annual service term. Alternatively, a director may choose to receive his or her entire retainer (including the Cash Portion) in shares of our common stock, or to defer the retainer under the Common Stock Equivalent Plan. Prior to December 9, 2011 and during the 2011 service term, the annual retainer was \$105,000, of which the Cash Portion was \$35,000 and the Equity Portion was \$70,000.

Amounts deferred under the Common Stock Equivalent Plan are invested in common stock equivalents that track the performance of our common stock and are credited with equivalents to dividend payments that are made on our common stock. Common stock equivalents may not be voted or transferred. At the end of a participating non-employee

director's board service, he or she receives a cash distribution based on the then-current market value of his or her common stock equivalents and dividend equivalents.

Committee Chair and Lead Director Retainer

Committee chairs receive an additional annual retainer on the first day of each annual service term. Effective December 9, 2011, all committee chair retainers were increased to \$15,000, and the Lead Director will continue to receive \$20,000 on the first day of each annual service term. Prior to December 9, 2011 and as of the first day of the 2011 service term, the Audit Committee chair received a \$12,000 retainer; the Compensation and Management Development Committee chair received an \$8,000 retainer; and all other committee chairs received a \$6,000 retainer. The committee chair and Lead Director retainers are payable, at the election of each director, in cash or shares of our common stock, or they may be deferred under the Common Stock Equivalent Plan.

Discontinued Meeting Fees

Effective December 9, 2011, non-employee directors receive no additional compensation for attending meetings of the board or a committee of the board. Prior to December 9, 2011 and during the 2011 service term, each non-employee director received \$2,000 for attendance in person or by telephone at each meeting of the board and any committee of the board of which he or she is a member.

Meeting fees were paid in cash or, at the election of a director, were deferred under the Common Stock Equivalent Plan, as noted above.

Table of Contents**2011 Non-Employee Director Compensation Paid**

As noted above, on the first day of the 2011 service term and prior to December 9, 2011, each non-employee director received compensation as follows:

an annual retainer of \$105,000 that, upon the election of each director, was paid in cash (limited to \$35,000), or in shares of our common stock or deferred under the Common Stock Equivalent Plan;

a committee chair or Lead Director retainer, if applicable, that was paid in cash or shares of common stock, or deferred under the Common Stock Equivalent Plan; and

\$2,000 for attendance in person or by telephone at each meeting of the board and any committee of the board of which he or she is a member.

On December 9, 2011, each non-employee director received a pro-rata payment to reflect the increase in the annual retainer to \$190,000.

The following table sets forth compensation earned and paid to or deferred by each non-employee director for service as a director during 2011.

2011 Non-Employee Director Compensation

Name	Fees Earned or Paid in Cash (\$)(1)	Stock Awards (\$)(1)(2)(3)(4)	Option Awards (\$)(5)(6)	All Other Compensation (\$)	Total (\$)
Sandra N. Bane	\$ 80,099	\$ 70,000	\$	\$	\$ 150,099
Thomas D. Bell, Jr.	70,099	70,009			140,108
Norman R. Bobins		74,325			74,325
Charles R. Crisp	67,000	103,258			170,258
Brenda J. Gaines	5,699	37,182			42,881
Arthur E. Johnson	94,639	70,000			164,639
Wyck A. Knox, Jr.	76,099	70,000			146,099
Dennis M. Love	5,000	176,815			181,815
Charles H. McTier	61,099	85,000		1,000(7)	147,099
Dean R. O Hare	72,099	70,009			142,108
Armando J. Olivera		74,325			74,325
John E. Rau		74,325			74,325
James A. Rubright	74,639	70,009			144,648
Bettina M. Whyte	38,550	128,411			166,961
Henry C. Wolf	5,000	184,450			189,450

(1) Reflects the aggregate annual retainer, chair or Lead Director retainers and meeting fees paid, at the election of each director.

(2) Reflects the aggregate grant date fair value of these stock awards, which include shares of our common stock and common stock equivalents, computed in accordance with FASB ASC Topic 718, the Financial Accounting Standards Board's authoritative guidance related to stock compensation (FASB ASC Topic 718). The assumptions used in calculating these amounts

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are incorporated by reference to Note 7 Stock-based and Other Incentive Compensation Plans and Agreements to the financial statements in our annual report on Form 10-K filed with the SEC on February 22, 2012.

- (3) The following table presents the grant date fair value for each stock award, which includes shares of our common stock and common stock equivalents, made to each non-employee director during 2011.

Name	Type of Award (Common Stock or Common Stock Equivalent)	Grant Date Fair Value (in dollars)				Total Grant Date Fair Value (\$)
		Date of Grant 5/3/11	Date of Grant 6/15/11	Date of Grant 12/15/11	Date of Grant 12/9/11	
Sandra N. Bane	Common Stock Equivalent	\$ 70,000		\$	\$	\$ 70,000
Thomas D. Bell, Jr.	Common Stock	70,009				70,009
Norman R. Bobins	Common Stock				74,325	74,325
Charles R. Crisp	Common Stock Equivalent	70,000				70,000
	Common Stock				33,258	33,258
Brenda J. Gaines	Common Stock				37,182	37,182
Arthur E. Johnson	Common Stock Equivalent	70,000				70,000
Wyck A. Knox, Jr.	Common Stock Equivalent	70,000				70,000
Dennis M. Love	Common Stock Equivalent		14,000	20,000		34,000
	Common Stock	106,029			36,786	142,815
Charles H. McTier	Common Stock Equivalent	85,000				85,000
Dean R. O Hare	Common Stock	70,009				70,009
Armando J. Olivera	Common Stock				74,325	74,325
John E. Rau	Common Stock				74,325	74,325
James A. Rubright	Common Stock	70,009				70,009
Bettina M. Whyte	Common Stock Equivalent	60,737				60,737
	Common Stock	51,025			16,649	67,674
Henry C. Wolf	Common Stock Equivalent	13,173	14,000	24,000		51,173
	Common Stock	100,019			33,258	133,277

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- (4) The aggregate number of stock awards, which includes shares of our common stock and common stock equivalents, outstanding at December 31, 2011, for each of the non-employee directors was as follows:

Name	Shares Outstanding (#)	Common Stock Equivalents Outstanding (#)(a)	Total Stock Awards Outstanding (#)(a)
Sandra N. Bane	1,000	9,201	10,201
Thomas D. Bell, Jr.	20,573		20,573
Norman R. Bobins	1,875		1,875
Charles R. Crisp	7,926	12,360	20,286
Brenda J. Gaines	938		938
Arthur E. Johnson	1,061	36,311	37,372
Wyck A. Knox, Jr.	1,015	34,762	35,777
Dennis M. Love	13,153	35,725	48,878
Charles H. McTier	1,000	12,412	13,412
Dean R. O Hare	12,139	789	12,928
Armando J. Olivera	1,875		1,875
John E. Rau	1,875		1,875
James A. Rubright	10,782	22,221	33,003
Bettina M. Whyte	11,896	9,942	21,838
Henry C. Wolf	21,645	11,275	32,920

- (a) Includes dividend equivalents.

- (5) Stock options previously were granted to non-employee directors as part of a non-employee director's annual retainer for services as a director. Stock options granted to non-employee directors were 100% vested as of the date of grant. During 2011, the Company did not grant any stock options to non-employee directors. Accordingly, in 2011, the Company did not recognize any dollar amount for financial reporting purposes relating to stock options.

- (6) The number of stock options outstanding at December 31, 2011, for each of the non-employee directors who held options as of such date was as follows:

Name	Number of Securities Underlying Outstanding Options
Dennis M. Love	7,173

- (7) Represents matching amount contributed to Emory University on behalf of Mr. McTier under the Company's Educational Matching Gift Program.

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Share Ownership and Holding Period Requirements for Non-Employee Directors

In order to serve on our board, directors are required to own shares of our common stock. Our share ownership guidelines for non-employee directors require that non-employee directors own shares of our common stock having a value of at least \$475,000, which represents five times the value of the Equity Portion of the annual retainer. Each director has five years from the date of his or her initial election to meet the share ownership requirement. Common stock equivalents and shares issuable upon the exercise of vested stock options are included in the determination of the ownership guideline amount. We believe that the equity component of non-employee director compensation

serves to further align the interests of the non-employee directors with the interests of our shareholders.

Under the terms of the Amended and Restated 2006 Non-Employee Directors Equity Compensation Plan (which we refer to as the 2006 Directors Plan), non-employee directors are required to hold shares awarded under such plan until the earlier of (i) five years from the date of the initial stock award or subsequent stock grant; (ii) termination of the non-employee director's service; or (iii) a change in control of the Company. Shares subject to the holding period include all shares issued in connection with the initial stock award under the plan and all shares issued under the plan in payment of all or part of a director's annual retainer.

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PROPOSAL 1 ELECTION OF DIRECTORS

GENERAL

The board of directors presently consists of sixteen members, fifteen of whom are non-employee directors. The board was divided into three classes of approximately equal size, with the directors in each class serving a three-year term. The terms were staggered so that the term of one class expired at each annual meeting. However, at the 2009 annual meeting, shareholders approved our proposal to eliminate the classification of the board of directors and, as a result, directors were to be elected for one-year terms beginning with the 2010 annual meeting of shareholders. At the 2012 annual meeting, all sixteen directors will stand for re-election.

Vote Requirements for Election

Our bylaws provide that directors are elected by a plurality of the votes cast by shareholders at a meeting at which a quorum is present. Our bylaws, while not changing the requirement for a plurality vote in the election of directors, require additionally that any director nominee in an uncontested election who does not receive the affirmative vote of a majority of the votes cast (including votes to withhold authority) with respect to that director's election must promptly tender his or her resignation to the board following certification of the shareholder vote. The requirement that a director tender his or her resignation if he or she does not receive a majority of the votes cast does not apply in the case of a contested election where the number of nominees exceeds the number of directors to be elected.

Following such a tender of resignation, the Nominating, Governance and Corporate Responsibility Committee, excluding any director tendering his or her resignation if he or she is a member of the Nominating, Governance and Corporate Responsibility

Committee, will make a recommendation to the board as to whether to accept or reject the resignation or whether other action should be taken. The board will then act on the Nominating, Governance and Corporate Responsibility Committee's recommendation and publicly disclose its decision and rationale within 90 days after the date of the certification of the election results. The director who tenders his or her resignation will not participate in the board's decision. If the director's resignation is not accepted by the board, the director shall continue to serve until his or her successor is duly elected or until his or her earlier death, resignation or removal. If the director's resignation is accepted by the board of directors, any resulting vacancy may be filled as provided in the bylaws or the board of directors may decrease the size of the board.

If a majority of the Nominating, Governance and Corporate Responsibility Committee does not receive a majority of the votes cast in their respective elections, then the independent members of the board who did not fail to receive a majority of the votes cast will appoint a committee from among themselves to consider the resignation offers and recommend to the board whether to accept them. If the only directors who did not fail to receive a majority of the votes cast constitute three or fewer directors, all directors may participate in the action regarding whether to accept the resignation offers.

Board Member and Nominee Qualifications

The experience, qualifications, attributes and skills that our board of directors considered in concluding that each of the current members of the board of directors and each of the nominees for election at the 2012 annual meeting should serve as a director include:

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(1) geographic representation (representative of our service territories); (2) diversity of professional skills and experience; (3) diversity of age, gender and race; (4) energy industry experience; and (5) community relations within our service territories.

When an incumbent director is up for re-election, the Nominating, Governance and Corporate Responsibility Committee reviews the performance, skills and characteristics of such incumbent director before making a determination to recommend that the full board nominate him or her for re-election.

A description of the specific experience, qualifications, attributes and skills that led our board of directors to conclude that each of the continuing members of the board of directors and each of the nominees should serve as a director follows the biographical information of each director and nominee below.

The board of directors, based on the recommendation of its Nominating, Governance and Corporate Responsibility Committee, has nominated Sandra N. Bane, Thomas D. Bell, Jr., Norman R. Bobins,

Charles R. Crisp, Brenda J. Gaines, Arthur E. Johnson, Wyck A. Knox, Jr., Dennis M. Love, Charles H. McTier, Dean R. O Hare, Armando J. Olivera, John E. Rau, James A. Rubright, John W. Somerhalder II, Bettina M. Whyte and Henry C. Wolf for election as directors at the annual meeting. All of the nominees are current directors of the Company. If elected, each of the nominees will hold office for a one-year term expiring at the annual meeting of shareholders in 2013. Each of the nominees has agreed to serve as a director if elected by the shareholders.

If any nominee becomes unable to stand for election, the board may:

designate a substitute nominee, in which case the proxies or Retirement Savings Plus Plan trustee, as applicable, will vote all valid proxies for the election of the substitute nominee named by the board;

allow the vacancy to remain open until a suitable candidate is located; or

reduce the authorized number of directors accordingly.

Nominees For Election

Sandra N. Bane, audit partner with KPMG LLP from 1985 until her retirement in 1998; head of the Western Region's Merchandising practice at KPMG LLP and partner in charge of the region's Human Resources department for two years; accountant with increasing responsibilities at KPMG LLP from 1975 until 1996; currently a director of Big 5 Sporting Goods Corporation and Transamerica Asset Management Group, a mutual fund company; and formerly a director of PETCO Animal Supplies, Inc. Ms. Bane, 59, has been a director of AGL Resources since February 2008.

Ms. Bane brings many years of experience as an audit partner at KPMG with extensive financial accounting knowledge that is critical to our board of directors. Ms. Bane's experience with accounting principles, financial reporting rules and regulations, evaluating financial results and generally overseeing the financial reporting process of large public companies from an independent auditor's perspective and as a board member and audit committee member of other public companies makes her an invaluable asset to our board of directors.

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Thomas D. Bell, Jr., Chairman of SecurAmerica LLC, a provider of premium contract security services, since January 2010 and vice chairman of and partner in Goddard Investment Group LLC, a commercial real estate investment firm, since January 2010; former Chairman and Chief Executive Officer of Cousins Properties Incorporated, a fully integrated real estate investment trust, from December 2006 until July 2009; President and Chief Executive Officer of Cousins Properties Incorporated from January 2002 until December 2006; real estate consultant to Credit Suisse First Boston from August 2001 until January 2002; special limited partner at Forstmann Little from January 2001 until July 2001; Chairman and Chief Executive Officer of Young & Rubicam, Inc. from January 2000 until November 2000; President and Chief Operating Officer of Young & Rubicam, Inc. from September 1999 until January 2000; Chairman and Chief Executive Officer of Young & Rubicam Advertising from March 1998 until August 1999; currently a director of Regal Entertainment Group, Norfolk Southern Corporation and the US Chamber of Commerce; and formerly a director of Cousins Properties Incorporated, Credit Suisse First Boston, Credit Suisse Group and Lincoln Financial Group. Mr. Bell, 62, has been a director of AGL Resources since July 2004. Mr. Bell previously served as a director of AGL Resources from July 2003 until April 2004.

Mr. Bell's extensive experience as a chief executive officer and chief operating officer of public companies demonstrates his leadership capability and business acumen. His experience with complex financial and operational issues in the real estate industry, which is heavily impacted by the current economic downturn, along with his service on the board of directors of a variety of public companies, including such companies audit and compensation committees, brings valuable financial, operational and strategic expertise to our board of directors.

Norman R. Bobins, President and Chief Executive Officer of Norman Bobins Consulting LLC, an independent consulting firm, since 2008 and Chairman of The PrivateBank - Chicago since 2008; President and Chief Executive Officer of ABN AMRO North America from 2006 to 2007; Senior Executive Vice President of ABN AMRO Bank N.V. from 2002 to 2007; President and Chief Executive Officer of LaSalle Bank Corporation from 2003 to 2007; Chairman, President and Chief Executive Officer of LaSalle Bank from 2000 to 2007; and President of LaSalle Bank Midwest from 2005 to 2007; and currently a director of AAR Corp.; PrivateBancorp, Inc.; and SIMS Metal Management. Mr. Bobins, age 69, has been a director of AGL Resources since December 2011 and was a director of Nicor Inc. from 2007 to 2011.

Mr. Bobins has held several senior executive positions at various banking institutions, including LaSalle Bank Corporation, which was one of the largest bank holding companies in the Midwest, and where Mr. Bobins served as chairman, chief executive officer and president. Mr. Bobins has extensive knowledge of and experience in banking and finance, and his

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prominent position in the Midwestern business community, qualify him to serve on our board of directors. We also benefit from Mr. Bobins' extensive experience in leadership roles with numerous business, civic and philanthropic organizations in the Chicagoland area, which helps provide our Company with important business insights and access to other business leaders.

Charles R. Crisp, former President and Chief Executive Officer of Coral Energy, LLC, a subsidiary of Shell Oil Company, which provided energy-related products and services associated with wholesale natural gas and power marketing and trading, from 1999 until his retirement in October 2000; President and Chief Operating Officer of Coral Energy, LLC from 1998 until 1999; joined Houston Industries in 1996 and served as President of its domestic power generation group until 1998; served as President, Chief Operating Officer and a director of Tejas Gas Corporation from 1988 until 1996; joined Houston Pipe Line Co. in 1985 where he served as a Vice President, Executive Vice President and President until 1988; served as Executive Vice President of Perry Gas Companies Inc. from 1982 until 1985; began his career in the energy industry in 1969 with Conoco Inc. where he held various engineering, operations and management positions at Conoco Inc. from 1969 until 1982; and a director of EOG Resources Inc., IntercontinentalExchange, Inc. and Targa Resources Corp. Mr. Crisp, 64, has been a director of AGL Resources since April 2003.

Mr. Crisp's extensive energy experience is critical to our board of directors. Mr. Crisp's vast understanding of many aspects of our industry and his experience serving on the board of directors of three other public companies in the energy industry is invaluable. In addition, Mr. Crisp's leadership and business experience and deep knowledge of various sectors of the energy industry provide our board of directors with crucial insight.

Brenda J. Gaines, former Chief Executive Officer of Diners Club North America, a division of Citigroup, a charge and credit card services company, from 2002 until her retirement in 2004; President of Diners Club North America from 1999 to 2004; Executive Vice President -Corporate Card Sales of Diners Club North America from 1994 to 1999; previously a director of CNA Financial Corporation; and currently a director of Federal National Mortgage Association (Fannie Mae); Office Depot, Inc.; and Tenet Healthcare Corporation. Ms. Gaines, age 62, has been a director of AGL Resources since December 2011 and was a director of Nicor Inc. from 2006 to December 2011.

Ms. Gaines has more than 25 years of experience working in the corporate and government arenas. She served as the deputy chief of staff and commissioner of housing for the City of Chicago. She has substantial training in corporate governance and has served as a speaker and panel

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member in various Risk Metrics certified courses on corporate governance, particularly those focusing on audit committees. As senior vice president, president and chief executive officer of Diners Club North America, Ms. Gaines led the activities for the North American franchise of the \$29 billion Diners Club International network.

Ms. Gaines' business leadership skills, marketing knowledge, and her experience in government service and on the boards of directors of other companies qualify Ms. Gaines to serve on our board of directors. In addition, Ms. Gaines' corporate governance training and experience provides our board of directors with valuable insight and expertise.

Arthur E. Johnson, Lead Director of our board of directors since April 2009; former Senior Vice President, Corporate Strategic Development, of Lockheed Martin Corporation, an advanced technology company engaged in research, design, development, manufacture and integration of advanced technology systems, from 1999 until March 2009; Vice President, Corporate Strategic Development, of Lockheed Martin Corporation from 1999 until 2001; President and Chief Operating Officer of Lockheed Martin Corporation Information and Services Sector from 1997 until 1999; President of Lockheed Martin Corporation Systems Integration Group from January 1997 until August 1997; President of Loral Corporation Federal Systems Group from 1994 until 1996; currently a director of Booz Allen Hamilton Inc., Eaton Corporation and an independent trustee of Fidelity Investments; and formerly a director of Delta Air Lines Inc. and IKON Office Solutions Corporation. Mr. Johnson, 65, has been a director of AGL Resources since February 2002.

Mr. Johnson brings many years of experience in senior management with significant responsibilities in the areas of large company management and operations, business strategy development, and strategic partnerships, which provide valuable insight to our board of directors. As we continue to evaluate growth opportunities, Mr. Johnson's strategic planning insights have proven to be significantly beneficial to our board of directors. He also possesses extensive experience in the area of information services and technology that is extremely valuable to our board of directors. In addition, Mr. Johnson's service on the board of directors of other public companies brings valuable experience and insight to our board of directors.

Wyck A. Knox, Jr., retired partner in, and former Chairman of the Executive Committee (for four years) of, the law firm of Kilpatrick Stockton LLP, now Kilpatrick Townsend & Stockton, LLP, or a predecessor firm, from 1976 until his retirement in 2007; and Chairman and Chief Executive Officer of Knox Rivers Construction Company from 1976 until 1995. Mr. Knox, 71, has been a director of AGL Resources since November 1998.

With over forty-six years of legal experience and deep-rooted affiliations with a diverse array of business, political and philanthropic organizations in Georgia, Mr. Knox brings immense insight to the board of directors from the perspective of one of our largest service territories.

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Dennis M. Love, President and Chief Executive Officer of Printpack Inc., which manufactures flexible and rigid packaging materials used primarily for consumer products, since 1987; currently a director of Oxford Industries, Inc.; and formerly a director of Caraustar Industries, Inc. Mr. Love, 56, has been a director of AGL Resources since October 1999.

Mr. Love's more than twenty years of experience as a chief executive officer brings key senior management and operational experience to our board of directors. Mr. Love's successful management and growth of his family-owned business, to include international operations, demonstrate his business strategy and acumen. His service on the nominating, compensation and governance committee of the board of directors of Oxford Industries also provides valuable insight on public company governance and compensation practices.

Charles H. Pete McTier, Trustee and former President of the Robert W. Woodruff Foundation, the Joseph B. Whitehead Foundation, the Lettie Pate Evans Foundation and the Lettie Pate Whitehead Foundation, which are all based in Atlanta and make up one of the largest foundation groups in the Southeast, from 1988 until his retirement in 2006; Vice President, Secretary and Treasurer of the foundations from 1987 until 1988; Secretary and Treasurer of the foundations from 1977 until 1987; Secretary of the foundations from 1971 until 1977; prior to that, several administrative positions at Emory University; and currently a director of Coca-Cola FEMSA, S.A. de C.V. and an advisory board member of SunTrust Bank Atlanta. Mr. McTier, 73, has been a director of AGL Resources since November 2006.

With over thirty-five years of professional service in the philanthropic arena and over twenty years as the leader of one of the largest charitable foundations in the Southeast, Mr. McTier provides a valuable link to our community. His many years of philanthropic experience, locally and nationally, and his experience serving on the board of directors of an internationally operated company, also provide an important perspective that is vital to our board of directors.

Dean R. O Hare, former Chairman and Chief Executive Officer of The Chubb Corporation, a multi-billion dollar organization providing property and casualty insurance for personal and commercial customers worldwide, from 1988 until his retirement in November 2002; President of The Chubb Corporation from 1986 until 1988; Chief Financial Officer of The Chubb Corporation from 1980 until 1986; various other positions with increasing responsibility at The Chubb Corporation until being named officer from 1963 until 1972; and currently a director of Fluor Corporation and HJ Heinz Company. Mr. O Hare, 69, has been a director of AGL Resources since August 2005.

As the former chief executive officer and chief financial officer of a Fortune 500 company with over thirty years of global business experience, Mr. O Hare is a valuable member of our board of directors. Mr. O Hare

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brings significant large public company operational, financial and corporate governance experience to our board of directors and his experience and relationships in one of our largest service territories, along with his service on the audit committee and as chairman of the governance committee of the board of directors of Fluor Corporation and as chairman of the audit committee of the board of directors of HJ Heinz Company, provides key insight to our board of directors. Mr. O Hare s extensive experience with the Chubb Corporation also brings valuable risk management experience to our board of directors.

Armando J. Olivera, President and Chief Executive Officer, Florida Power & Light Company (FP&L), an electric utility services company, since June 2003; various other positions with increasing responsibility at FP&L from 1972 to 2003; and currently a director of FP&L. Mr. Olivera plans to retire in May 2012 after observing his 40th anniversary with Florida Power & Light Company. Mr. Olivera, age 62, has been a director of AGL Resources Inc. since December 2011 and was a director of Nicor Inc. from 2008 to December 2011.

Mr. Olivera is a 40-year veteran of the Florida Power and Light Company (FP&L), a large electric utility with over \$10 billion in annual revenue. Throughout his career at FP&L, he has served in several senior executive positions, including his current title of president and chief executive officer of the company.

Mr. Olivera s experience in and understanding of utility regulation, operations and finance as well as his strong business leadership skills qualify him to serve on our board of directors. He has served in a leadership role on a number of electric utility industry groups including chairman of the Florida Reliability Council, chairman of the Association of Edison Illuminating Companies, and president of the Southeastern Electric Exchange. He also has served in a number of community and educational organizations. He is currently a director of Enterprise Florida, an economic development organization, and a trustee of Cornell University.

John E. Rau, President and Chief Executive Officer of Miami Corporation, a private asset management firm, since December 2002; Chairman Chicago Title and Trust Company Foundation, a charitable foundation, since March 2000; President and Chief Executive Officer of Chicago Title Corporation, a financial services corporation, from January 1997 to March 2000; previously a director of BorgWarner Inc. and Wm. Wrigley Jr. Company; and currently a director of First Industrial Realty Trust, Inc. and BMO Financial Corp./BMO Harris Bank, N.A. Mr. Rau, age 63, has been a director of AGL Resources since December 2011 and was a director of Nicor Inc. from 1998 to December 2011 and Nicor Inc. s lead director from 2006 to 2011.

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Mr. Rau is the chief executive officer of Miami Corporation, a private investment management concern. He has served as chief executive officer at two major public companies and dean of Indiana University's Kelley School of Business. Mr. Rau also has served in leadership roles at numerous business, civic and philanthropic organizations. He has authored several dozen nationally published essays and reviews and a book on the characteristics of successful chief executive officers.

Mr. Rau's strong leadership skills, his service on other boards of directors and his extensive knowledge of banking, finance, economics and real estate qualify him to serve on our board of directors. Mr. Rau's prominent position in the Midwestern business community helps provide our Company with a wide variety of business insights and access to other business leaders.

[James A. Rubright](#), Chairman and Chief Executive Officer of RockTenn Company, an integrated paperboard and packaging company, since 1999; Executive Vice President of Sonat, Inc., an energy company, from 1994 until 1999; currently a director of RockTenn Company and Forestar Group, Inc.; and formerly a director of Avondale, Inc. and Oxford Industries, Inc. Mr. Rubright, 65, has been a director of AGL Resources since August 2001.

Mr. Rubright's experience on the board of directors of a variety of public companies along with his proven success as the chief executive officer of a large public company demonstrates his leadership capability and extensive knowledge of complex financial and operational issues that public companies face. In addition, his experience as a senior executive of a Fortune 500 company brings vital senior management experience and business acumen to our board of directors. Mr. Rubright's extensive experience in the natural gas industry provides valuable insight to our board of directors. Mr. Rubright's unique background brings a deep understanding of operations and strategy with an added layer of risk management experience that is an important aspect of the make up of our board of directors.

[John W. Somerhalder II](#), our Chairman since October 2007 and our President and Chief Executive Officer since March 2006; Executive Vice President of El Paso Corporation, a natural gas and related energy products provider and owner of North America's largest natural gas pipeline system and one of North America's largest independent natural gas producers, from 2000 until May 2005, where he continued service under a professional services agreement from May 2005 until March 2006; President, El Paso Pipeline Group from 2001 until 2005; President of Tennessee Gas Pipeline Company, an El Paso company from 1996 until 1999; President of El Paso Energy Resources Company from April 1996 until December 1996; Senior Vice President, Operations and Engineering, El Paso Natural Gas Company from 1992 until 1996; Vice President, Engineering, El Paso Natural Gas Company from 1986 until 1990; from

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1977 until 1990, various other positions with increasing responsibility at El Paso Corporation and its subsidiaries until being named an officer in 1990; and currently a director of AGL Resources Inc., Quicksilver Gas Services GP LLC and Crestwood Gas Services GP LLC. Mr. Somerhalder, 56, has been a director of AGL Resources since March 2006.

With over 30 years of energy industry experience at almost every level of a large public company, Mr. Somerhalder is well positioned to lead our management team and provide essential insight and guidance to the board of directors from an inside perspective of the day-to-day operations of the Company, along with experience and comprehensive knowledge of the natural gas industry.

Bettina M. Whyte, Managing Director and Senior Advisor, Alvarez & Marsal Holdings, LLC, a leading independent global professional services firm, since January 2011; Chairman of the Advisory Board of Bridge Associates, LLC, a leading turnaround, crisis and interim management firm, from October 2007 until December 2010; Managing Director and Head of the Special Situations Group of MBIA Insurance Corporation, a world leader in credit enhancement services and a global provider of fixed-income asset management services, from March 2006 until October 2007; Managing Director of AlixPartners, LLC, a business turnaround management and financial advisory firm, from April 1997 until March 2006; Partner and National Director of Business Turnaround Services, Pricewaterhouse LLP from 1990 until 1997; and currently a director of Amerisure Companies, RockTenn Company and Annie s, Inc. Ms. Whyte, 62, has been a director of AGL Resources since October 2004.

Ms. Whyte has vast experience in the financial and operational restructuring of complex businesses, and her service as interim chief executive officer, chief operating officer and chief restructuring officer of numerous troubled public and private companies is essential to our board of directors. Her experience on the board of directors of other public companies, and her insight on financial and operational issues, add value to our board of directors at all times, but especially during this current period when all companies are dealing with the strained conditions of our economy.

Henry C. Wolf, former Vice Chairman and Chief Financial Officer of Norfolk Southern Corporation, a holding company that controls a major freight railroad and owns a natural resources company and telecommunications company, from 1998 until his retirement in 2007; Executive Vice President Finance of Norfolk Southern Corporation from 1993 until 1998; Vice President-Taxes of Norfolk Southern Corporation from 1991 until 1993; various other positions with increasing responsibility at Norfolk Southern Corporation in the finance division from 1973 until 1991; and currently a director of Hertz Global Holdings, Inc., M*Modal Inc. and Colonial Williamsburg Co., as well as, a trustee of Colonial Williamsburg Foundation. Mr. Wolf, 69, has been a director of AGL Resources since April 2004.

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Mr. Wolf's unique professional background of over forty years of experience with legal, financial, tax and accounting matters along with his demonstrated executive level management skills make him an important advisor. His skills are a vital asset to our board of directors at a time when accurate and transparent accounting, a sound financial footing and exemplary governance practices are essential. In addition, his background in strategic planning and experience with mergers and acquisitions in a regulated environment represent an important resource for the Company.

Under our Guidelines on Significant Corporate Governance Issues, each member of the board of directors is required to attend the annual meeting of shareholders unless unavoidable circumstances preclude attendance. All of our then current directors attended our 2011 annual meeting of shareholders.

**THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR EACH OF
THE ABOVE NOMINEES.**

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AUDIT COMMITTEE REPORT

The Audit Committee of the board of directors is composed of eight directors, each of whom is an independent director, as defined under the listing standards of the New York Stock Exchange and the Company's Standards for Determining Director Independence. The Audit Committee operates under a written charter adopted by the board of directors, a copy of which is available on the Company's web site at www.aglresources.com.

The Audit Committee reviews the Company's financial reporting process on behalf of the board of directors. In fulfilling its responsibilities, the Audit Committee has reviewed and discussed the audited financial statements contained in the Company's Annual Report on Form 10-K for 2011 with management and the Company's independent registered public accounting firm, PricewaterhouseCoopers LLP. Management is responsible for the Company's financial statements and the financial reporting process, including the system of internal control over financial reporting. PricewaterhouseCoopers is responsible for expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States and on the effectiveness of the Company's internal control over financial reporting.

The Audit Committee has discussed with PricewaterhouseCoopers the matters required to be discussed by Public Company Accounting Oversight Board Statement on Auditing Standards No. 61, as amended, regarding PricewaterhouseCooper's judgments about the quality of the Company's accounting principles as applied in its financial reporting. In addition, the Audit Committee has discussed with PricewaterhouseCoopers its independence from the Company and from Company management, including the matters in the written disclosures and the letter

provided to the Audit Committee by PricewaterhouseCoopers as required by the applicable requirements of the Public Company Accounting Oversight Board. The Audit Committee has concluded that PricewaterhouseCoopers is independent from the Company and its management.

Based on the reviews and discussions referred to above, the Audit Committee recommended that the board of directors approve the inclusion of the audited financial statements in the Company's Annual Report on Form 10-K for 2011 for filing with the SEC.

Henry C. Wolf (Chair)

Sandra N. Bane

Norman R. Bobins

Brenda J. Gaines

Wyck A. Knox, Jr.

Dennis M. Love

Charles H. McTier

Dean R. O Hare

The information contained in the Audit Committee Report shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate it by reference in such filing.

Table of Contents**PROPOSAL 2 RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2012****Appointment of Independent Registered Public Accounting Firm**

PricewaterhouseCoopers LLP served as our independent registered public accounting firm and audited our annual financial statements for the fiscal year ended December 31, 2011, and the effectiveness of our internal control over financial reporting as of December 31, 2011.

PricewaterhouseCoopers has served as our principal independent registered public accounting firm since 2003.

The Audit Committee has appointed PricewaterhouseCoopers to be our

independent registered public accounting firm for the fiscal year ending December 31, 2012. The shareholders are asked to ratify this appointment at the annual meeting. In the event shareholders do not ratify the appointment of PricewaterhouseCoopers as our independent registered public accounting firm for 2012, the Audit Committee will review its future selection of our independent registered public accounting firm.

Representatives of PricewaterhouseCoopers will attend the annual meeting and will have the opportunity to make a statement if they so desire. They will also be available to answer appropriate questions.

Audit and Non-Audit Fees

The following table summarizes certain fees billed by PricewaterhouseCoopers for 2011 and 2010:

Fee Category:	2011	2010
Audit fees	\$ 2,456,617	\$ 1,594,289
Audit-related fees	267,800	290,530
Tax fees	87,346	36,977
All other fees	0	8,000
Total fees	\$ 2,811,763	\$ 1,929,796

Set forth below is a description of the nature of the services that PricewaterhouseCoopers provided to us in exchange for such fees.

Audit Fees

Represents fees PricewaterhouseCoopers billed us for the audit of our annual financial statements and the review of our quarterly financial statements and for services normally provided in connection with statutory and regulatory filings. These fees include fees incurred in meeting the internal control over financial reporting compliance requirements of Section 404 of the Sarbanes-Oxley Act of

2002, as well as audit fees for Northern Illinois Gas Company, a separate registrant doing business as Nicor Gas Company, SouthStar Energy Services LLC, a joint venture currently owned 85% by our subsidiary, Georgia Natural Gas Company, and 15% by Piedmont Natural Gas Company Inc. and audits of several subsidiaries acquired through our merger with Nicor Inc. on December 9, 2011.

Audit-Related Fees

Represents fees PricewaterhouseCoopers billed us for audit and review-related services, including services relating to the issuance of a SSAE 16 review report on internal controls

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associated with Atlanta Gas Light Company's customer information system, prepared for certificated retail marketers of natural gas in Georgia, potential business acquisitions and dispositions, the audit of employee benefit plan financial statements, and compliance with rules and regulations applicable to accounting matters related to our merger with Nicor Inc.

Tax Fees

Represents fees PricewaterhouseCoopers billed us for tax compliance, planning and advisory services.

All Other Fees

Represents fees billed to us by a subsidiary of PricewaterhouseCoopers for external human resources benchmarking data provided to our human resources department in 2010.

The \$881,967, or 46%, increase in total fees from 2010 to 2011 primarily reflects the additional fees incurred as a result of our merger with Nicor Inc.

The Audit Committee pre-approved all of the above audit, audit-related, tax and other fees of PricewaterhouseCoopers, as required by the pre-approval policy described below.

Audit Committee Audit and Non-Audit Services Approval Policy

Consistent with rules and regulations pursuant to the Sarbanes-Oxley Act of 2002 regarding registered public accounting firm independence, the Audit Committee has responsibility for appointing, setting compensation and overseeing the work of the

Company's independent registered public accounting firm. In recognition of this responsibility, the Audit Committee adopted a policy that requires specific Audit Committee approval before any services are provided by the independent registered public accounting firm.

Prior to engagement of the independent registered public accounting firm for the next year's audit, management submits to the Audit Committee for approval a summary of services expected to be rendered during that year and an estimate of the related fees for (1) audit services, (2) audit-related services, (3) tax services, and (4) all other services. The Audit Committee pre-approves these services by category of service and budget amount. The services and fees must be deemed compatible with the maintenance of the independent registered public accounting firm's independence. The Audit Committee requires the independent registered public accounting firm and management to report actual fees versus the budget periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage the independent registered public accounting firm for additional services not contemplated in the original pre-approval. In those instances, the Audit Committee requires that management obtain specific approval from the Audit Committee before engaging the independent registered public accounting firm.

The Audit Committee may delegate approval authority to one or more of its members. The member to whom such authority is delegated must present for ratification any approval decisions to the Audit Committee at its next scheduled meeting.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE PROPOSAL TO RATIFY THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2012.

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COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE REPORT

The Compensation and Management Development Committee of the board of directors is composed of seven directors, each of whom is an independent director, as defined under the listing standards of the New York Stock Exchange and the Company's Standards for Determining Director Independence. The Compensation and Management Development Committee operates under a written charter adopted by the board of directors, a copy of which is available on the Company's web site at www.aglresources.com.

The Compensation and Management Development Committee has reviewed and discussed with management the Compensation Discussion and Analysis, or CD&A, section of this proxy statement required by Item 402(b) of Regulation S-K promulgated by the SEC. Based on the Committee's review and discussions with management, the Committee recommended

to the board of directors that the CD&A be included in the Company's 2011 annual report on Form 10-K and in this proxy statement.

Bettina M. Whyte (Chair)

Sandra N. Bane

Thomas D. Bell, Jr.

Norman R. Bobins

Charles R. Crisp

James A. Rubright

Henry C. Wolf

The information contained in the Compensation and Management Development Committee Report shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate it by reference in such filing.

COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE

INTERLOCKS AND INSIDER PARTICIPATION

The following directors served on the Compensation and Management Development Committee at December 31, 2011: Sandra N. Bane, Thomas D. Bell, Jr., Norman R. Bobins, Charles R. Crisp, James A. Rubright, Bettina M. Whyte (Chair) and Henry C. Wolf. None of such persons was, during 2011 or previously,

an officer or employee of AGL Resources or any of its subsidiaries and each such person was an independent director as defined under the listing standards of the New York Stock Exchange and our Standards for Determining Director Independence.

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COMPENSATION DISCUSSION AND ANALYSIS

The following section is a discussion and analysis of our compensation objectives and policies, the elements of our compensation program, and the material factors considered in setting the compensation for our named executive officers listed below:

John W. Somerhalder II, our chairman of the board, president and chief executive officer;

Andrew W. Evans, our executive vice president and chief financial officer;

Henry P. Linginfelter, our executive vice president, distribution operations;

Paul R. Shlanta, our executive vice president, general counsel, and chief ethics and compliance officer; and

Peter I. Tumminello, our executive vice president, wholesale services and president of Sequent Energy Management (Sequent).

Executive Summary

The following is a brief overview of the information provided in this section.

General

The goal of our compensation program is to attract, retain, motivate and reward talented executives and to align their interests with those of our shareholders and our long-term financial health.

Our objective is to be competitive with our total direct compensation (base salary, annual incentive and long-term incentives), using industry data to benchmark compensation to comparable peer groups.

Compensation for our executives includes:

base salary;

annual incentive awards that are paid in cash based upon achievement of a corporate Plan EPS goal, business unit goals, and individual goals;

equity in the form of performance-based restricted stock units and performance share units; and

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benefits that include the same group health and welfare benefit programs and tax-qualified retirement plans available to all of our employees, as well as non-qualified restoration retirement plans.

Each of our executives has a continuity agreement that provides severance pay if the executive's employment is terminated in certain circumstances in connection with a change in control of the Company. The agreements have a double-trigger, which means that severance benefits are not provided unless both (i) a change in control occurs and (ii) the executive incurs an involuntary termination within a designated period related to the change in control.

Reimbursement for financial planning, including mandatory tax return preparation, is the only perquisite that we offer to our executives.
2011 Business Developments

During 2011, we closed our merger with Nicor Inc., an Illinois-based natural gas utility. We achieved regulatory approval of the transaction within 11 months, and throughout the year made significant progress toward full-scale integration of the two companies. We also took strategic advantage of the historically-low interest rate environment to finance the transaction at long-term debt rates that are favorable to our original expectations. The transaction supports our goal to pursue strategic growth opportunities that we expect to create significant long-

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term value for our shareholders. The merger created an S&P 500 company that is the largest pure natural gas distribution company in the United States, and effectively doubled the overall size of our Company.

During 2011, the executive officers generally performed well against their business goals, despite a challenging environment for our natural gas wholesale marketing and storage businesses.

Our regulated utility business, which is our largest segment and the primary contributor of our earnings, delivered strong results, despite the ongoing weakness in economic conditions in our service areas, which limited customer growth. The regulated business benefited from execution of its regulatory strategy, earnings from several infrastructure enhancement projects recently placed into service, and an ongoing focus on cost control throughout the business.

Our retail natural gas marketing business, SouthStar Energy Services (a joint venture with Piedmont Natural Gas), achieved earnings results in line with our expectations for the year, despite facing greater levels of competition in its markets and overall economic challenges that limited customer growth.

Two of our non-regulated businesses – the natural gas wholesale marketing and trading business and the natural gas high-deliverability storage business – faced significant challenges throughout the year. These market challenges primarily resulted from an abundance of supply of natural gas in North America, which kept absolute prices, summer-to-winter relative price spreads and overall market volatility low throughout much of the year. In addition, the oversupply of natural gas in certain regions caused constraints on transportation capacity. Together, these developments limited the ability of both business units to capitalize on commercial market opportunities, resulting in earnings that were below our expectations for the year.

During the year, we made significant utility and non-utility capital investments that we expect will position the Company well for long-term growth and the creation of shareholder value.

2011 Performance and Compensation

Reflecting our pay for performance compensation philosophy, the compensation of our named executive officers was affected by our financial results in 2011, both in the amount of cash compensation earned and in the value of long-term equity awards.

Our 2011 annual incentive awards were based upon a combination of several goals:

Plan EPS at the Company level (described on page 48);

Plan Earnings for business units (described on page 50);

Operating and Maintenance expense minus expenses related to Benefits and Incentives (O&M Expense less B&I) for business units (described on page 50); and

Individual performance.

Despite meeting the Plan EPS trigger and despite positive performance across several business units, the Company failed to meet the threshold Plan EPS goal under our annual incentive plan. Accordingly, none of the named executive officers earned or received an annual incentive plan payout for 2011. Please see the discussion of the annual incentive award program beginning on page 48.

In 2011, we continued to grant performance-based restricted stock units (representing 30% of each executive's target long-term incentive value) and performance share units (representing

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70% of each executive's target long-term incentive value). The restricted stock units contain a one-year Plan EPS trigger, which was met for 2011, followed by a three-year ratable time-based vesting schedule. The performance share units are earned based upon the Company's relative total shareholder return (RTSR) over a three-year period, compared to a peer group consisting of 12 comparable companies. Please see the discussion of the long-term incentive awards beginning on page 52.

Salaries for our named executive officers were increased by 3% in February 2011, in connection with the Compensation and Management Development Committee's (the Compensation Committee) annual review process.

In connection with the closing of the merger with Nicor Inc. (as described on page 54), the Board of Directors approved a 5% increase in base salary for our chief executive officer, and the Compensation Committee approved a 5% increase in base salaries for each of the other named executive officers. These salary increases were effective in December 2011 and remain in effect for 2012, except for Mr. Tumminello, who declined this increase in base salary due to the performance of our wholesale services business unit. Please see the discussion of the merger-related compensation actions beginning on page 54.

In recognition of their contributions to the Nicor Inc. merger integration effort, certain of our employees, including the named executive officers, also were granted restricted stock awards in December 2011, in connection with the closing of the merger. Awards issued to the named executive officers include a performance hurdle based upon post-merger O&M Expense less B&I and have a three-year vesting schedule. Please see

the discussion of the merger-related compensation actions beginning on page 54.

Governance and Evolving Compensation Practices. The Compensation Committee and Company management are mindful of evolving practices in executive compensation and corporate governance. In response, we have adopted certain policies and practices that are in keeping with best practices in several areas. For example:

We do not provide excessive executive perquisites or extraordinary relocation benefits to our named executive officers.

We do not provide tax gross-ups on compensation paid to our named executive officers, or on golden parachute excise taxes.

Our Omnibus Performance Incentive Plan has double-trigger vesting for equity awards in the context of a change in control if the award is assumed by the acquiring company.

Our Omnibus Performance Incentive Plan expressly prohibits repricing of options (directly or indirectly) without prior shareholder approval.

Our stock ownership policy requires that each executive must retain at least 75% of net shares from their equity awards until their ownership requirement is met.

Company policy prohibits directors and executive officers from engaging in hedging activities involving Company stock.

In 2011, the Compensation Committee adopted a compensation recoupment policy that requires the recovery of certain incentive-based compensation paid to current or former executive officers in the event of an accounting restatement. This policy is described in more detail on page 57.

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Consideration of Last Year's Advisory Shareholder Vote on Executive Compensation

At the annual meeting of shareholders on May 3, 2011, over 97.5% of the voted shares approved the compensation of the Company's named executive officers, including the Company's compensation practices and principles and their implementation, as discussed and disclosed in the 2011 Proxy Statement. The Compensation Committee appreciates and values the views of our shareholders. In considering the results of this most recent advisory vote on executive compensation, the Committee concluded that the compensation paid to our executive officers and the Company's overall pay practices enjoy strong shareholder support.

In light of this support, the Compensation Committee does not intend to make any specific changes to our executive compensation program for 2012. The Committee will continue to monitor best practices, future advisory votes on executive compensation and other shareholder feedback to guide it in evaluating the alignment of the Company's executive compensation program with the interests of the Company and its shareholders. Please refer to Board Leadership Structure and Role in Risk Oversight on page 8 for information about communicating with the Board.

Also at the annual meeting of shareholders on May 3, 2011, our shareholders expressed a preference for annual advisory votes on executive compensation. Based on this vote, the Board implemented an annual advisory vote on executive compensation until the next

required vote on the frequency of shareholder votes on executive compensation, which is scheduled to occur at the 2017 annual meeting.

Goal of our Executive Compensation Program

The goal of our executive compensation program is to attract, retain, motivate and reward the executive talent necessary to achieve our strategic and financial objectives and to foster long-term value creation for the Company and its shareholders. In support of this, our program is intended to:

align executives' interests with those of our shareholders by creating a strong focus on stock ownership and basing pay on performance measures that drive long-term, sustained shareholder value growth;

include a strong link between pay and performance, by placing a significant portion of compensation at risk based on Company, business unit and individual performance;

assure the Company's access to top executive talent and protect against competitor recruitment through compensation opportunities that are market competitive and commensurate with the executives' responsibilities, experience and demonstrated performance; and

reinforce business strategies and reflect the Company's core values by rewarding desired performance, promoting desired competencies and recognizing contributions to business success that are consistent with those core values.

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Determining Executive Compensation

The Compensation Committee oversees our executive compensation program. Information about the Compensation Committee and its composition and responsibilities can be found on page 11 of this proxy statement, under the caption Corporate Governance Compensation and Management Development Committee. The Compensation Committee engages the services of Frederic W. Cook & Co., Inc. (F.W. Cook), an independent consultant. F.W. Cook reports directly to the Compensation Committee and provides no other services to the Company. The following table outlines the roles and responsibilities of various parties in determining executive compensation.

	<i>Roles and Responsibilities</i>
Compensation Committee	<p>Approves incentive programs and sets performance goals.</p> <p>Determines appropriate levels of compensation for our executives, other than the CEO.</p> <p>Evaluates CEO performance.</p> <p>Recommends to independent Board members compensation opportunities and awards for our CEO.</p>
F.W. Cook (Independent consultant to the Compensation Committee)	<p>Provides a competitive assessment of our executives' compensation levels and programs.</p> <p>Provides advice, research and analytical services on a variety of subjects, including compensation trends, best practices, peer group comparisons and the compensation of our non-employee directors.</p>
Independent Board Members	<p>Approve compensation for our CEO.</p>
CEO	<p>Develops an assessment of individual performance for each executive.</p> <p>Provides recommendations to the Compensation Committee regarding individual compensation levels for executives.</p>
Other members of management	<p>Provides recommendations to the Compensation Committee regarding business unit goals.</p> <p>Our Human Resources staff provides analyses, competitive data, and information relating to alternative compensation program designs to the Compensation Committee and F.W. Cook to help facilitate the Compensation Committee's review of competitive compensation practices.</p> <p>Our chief financial officer provides the Compensation Committee with reports on financial performance as it relates to key business drivers and performance measures included in incentive program designs.</p>

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Competitive Market Information

Each year the Compensation Committee works with F.W. Cook to review the market competitiveness of our executive compensation programs and levels and to re-evaluate the companies included in our comparator groups to ensure that we have the appropriate marketplace focus. For 2011, F.W. Cook prepared a benchmark comparison of our executives' base salaries, target annual incentive awards, and long-term incentive opportunities against an energy industry database and an executive compensation peer group.

Energy Industry Database

For 2011, the energy industry database included the 43 energy services companies in Towers Watson's Energy Industry Services Compensation Database with assets or revenue between one-third and three times ours. This group was used as the primary source to assess competitive levels of compensation for our executives. We believe this larger selection of companies provides more accurate and reliable information than a smaller peer group and better reflects the labor market for our executive talent. For 2011, F.W. Cook provided the Compensation Committee data at the 50th and 75th percentiles of this group.

For 2011, our energy industry database companies were:

Allegheny Energy, Inc.

ALLETE Inc.

Alliant Energy Corp.

Ameren Energy Resources Co.

Atmos Energy Corp

Avista Corp.

Black Hills Corp

Calpine Corp.

CenterPoint Energy, Inc.

CH Energy Group Inc.

Cleco Corp.

CMS Energy Corp.

Covanta Holding Corp.

DPL Inc.

El Paso Corp.

Enbridge Energy Partners LP

Energen Corp.

EQT Corp.

First Solar Inc.

Hawaiian Electric Indus.

IDACORP, Inc.

MDU Resources Group, Inc.

Nicor Inc.

Northeast Utilities

Northwest Natural Gas Co.

Northwestern Corp.

NSTAR

NV Energy Inc.

OGE Energy Corp.

Pepco Holdings, Inc.

Pinnacle West Capital Corp.

PNM Resources, Inc.

Portland General Electric Co.

Regency Energy Partners LP

RRI Energy, Inc.

SCANA Corp.

Southern Union Co.

Spectra Energy Corp.

UIL Holdings Corp.

UniSource Energy Corp.

Vectren Corp.

Westar Energy, Inc.

Wisconsin Energy Corp.

Executive Compensation Peer Group

In 2011, we also reviewed compensation data for 12 natural gas providers as a secondary point of reference. The companies in this executive compensation peer group were selected based upon their size and business operations. With assistance from F.W. Cook, the following criteria

were developed for this group:

Size must be roughly one-third to three times our size in two of the following categories:

assets,

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revenue, and

market capitalization.

Industry must be a traditional natural gas local distribution company (LDC) and must meet at least one of the following:

Includes non-regulated businesses such as storage, pipeline, or construction services

Includes asset management/trading business similar to Sequent

Conducts business in three or more states

For 2011, our executive compensation peer group companies were:

Atmos Energy Corp.

Centerpoint Energy Inc.

Integrus Energy Group, Inc.

New Jersey Resources Corp.

Nicor Inc.

Nisource Inc

Northwest Natural Gas Co.

ONEOK Inc.

Piedmont Natural Gas Co. Inc.

Southwest Gas Corp.

UGI Corp.

WGL Holdings Inc.

To perform a more meaningful analysis of compensation for the president of Sequent, F.W. Cook benchmarked Mr. Tumminello's position to Towers Watson's Energy Trading and Marketing Survey, which included data more directly comparable to this position. This survey data included 20 companies having energy trading and marketing operations, many of which are included in both comparator groups detailed above.

Compensation Program Elements and their Purpose

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Our executive compensation program comprises the following elements.

<i>Compensation Element</i>	<i>Overview/Objectives</i>
Base salary	<p>Fixed portion of an executive's annual compensation; is intended to recognize fundamental market value for the skills and experience of the individual relative to the responsibilities of his or her position.</p> <p>Foundation of our program; most other elements are determined as a percentage of base salary.</p>
Annual incentive award	<p>Annual cash incentive award is intended to vary as a direct reflection of Company, business unit, and individual performance.</p> <p>Target opportunities are a percentage of base salary and represent the amount of money to be paid if expected performance is achieved.</p> <p>Achievement of a trigger goal is required for any payout and is designed to meet tax deductibility requirements under Section 162(m) of the Internal Revenue Code (which we refer to as the Code).</p> <p>Actual awards may range between 0% and 200% of target, based on actual performance against goals.</p> <p>To achieve a 200% award, performance must meet or exceed the maximum performance levels for all performance measures.</p>

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<i>Compensation Element</i>	<i>Overview/Objectives</i>
<p>Long-term incentive awards (performance-based restricted stock units and performance share units)</p>	<p>Stock-based incentives reward performance over a multi-year period, link executives interests to those of shareholders, and encourage retention.</p> <p>Performance measures include Plan EPS achievement for the performance-based restricted stock units and total shareholder return, relative to the performance of the executive compensation peer group, for the performance share units.</p> <p>Vesting schedules serve to encourage retention and further tie executives compensation to stock price appreciation for the vesting period.</p>
<p>Employee health and welfare and retirement benefit plans</p>	<p>Competitive levels of medical, retirement and income protection, such as life and disability insurance coverage, are provided.</p> <p>Executives participate in the same programs offered to all of our eligible employees.</p> <p>To maintain consistent retirement benefit levels, we also provide non-qualified retirement benefits to executives and other highly-compensated employees who are adversely affected by limits imposed on contributions and total benefits under our pension plan. The retirement plans available to the executives are described in more detail beginning on page 65.</p>
<p>Severance and other termination payments</p>	<p>Severance benefits are provided in the event an executive's employment is terminated in certain circumstances in connection with a change in control of the Company.</p> <p>Programs provide security to executives so that they may focus on the Company and best interests of the shareholders during a transaction or potential transaction.</p>
<p>Financial planning / tax return preparation perquisite</p>	<p>Reimburse executives for up to \$18,000 per year for Company-mandated tax return preparation.</p> <p>The Company requires professional tax return preparation as a means of ensuring full tax compliance by our executives. To the extent that the entire amount is not used for tax preparation, it may be applied to financial or estate planning.</p> <p>We do not provide any other perquisites such as executive life insurance or country club memberships to our executives.</p>

Benefits such as temporary housing allowances or the temporary use of a company car may be provided in the event of relocation or other exceptional circumstances.

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2011 Executive Compensation

Mix of Pay at Target Level

The compensation programs approved by the Compensation Committee for the executives are designed to include a strong link between pay and performance by placing a significant portion of compensation at risk. Our programs are structured so that a significant portion of targeted total direct compensation for our executives is contingent on our financial performance or share price, as well as individual performance. We believe this is fundamental to align executive pay with value-creation for our shareholders. Specific information regarding the amount of total direct compensation that is at risk for each of our executives is included in the tables in the following section.

Setting 2011 Total Direct Compensation Opportunities

When setting base salary and target amounts for annual and long-term incentives, the Compensation Committee examined each component of pay on both a stand-alone basis and as a total. Pay decisions are based on the Compensation Committee's business judgment, informed by the benchmark data, professional advice and other considerations, including the individual executive's experience and performance, internal pay equity and mastery of position responsibilities. Unless otherwise noted, changes in total direct compensation for 2011 were driven primarily by competitive market adjustments.

Base salary was increased by 3% for each of the executives in February 2011. In determining base salary, the Compensation Committee considered competitive market base pay levels, as reflected in F.W. Cook's benchmark data, its general assessment of the performance of our chief executive officer, and the performance assessments and recommendations for the other named executive officers presented to the Compensation Committee by our chief executive officer. Performance assessments for base salary adjustments in 2011 were subjective, non-formulaic and were not based upon objective financial criteria. The Compensation Committee did not apportion any particular percentage of any salary increase to either performance or competitive pay levels, but considered them together, along with the recommendations of our chief executive officer.

Annual incentive target opportunities were unchanged from 2010 for each of the named executive officers.

Long-term incentive target opportunities were unchanged from 2010 for each of the named executive officers other than Mr. Somerhalder, whose long-term incentive target opportunity was increased from \$2.0 million to \$2.2 million in order to provide an additional incentive to focus on long-term strategies and success of the merger with Nicor Inc. (as described on page 54).

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The following tables detail changes to total direct compensation opportunities for each executive for 2011. The accompanying pie charts break out the components of each executive's total direct compensation, with the shaded portions indicating pay at risk. The 2011 target total direct compensation for our named executive officers was between the median and 75th percentile of the competitive market, both individually and in aggregate.

Mr. Somerhalder - chairman of the board, president and chief executive officer

	From	To
Base Salary	\$ 850,000	\$ 876,000 ¹
Annual Incentive Target (% of base salary)	110%	110%
Long-term Incentive Target	\$2,000,000	\$2,200,000
Target Total Direct Compensation	\$ 3,785,000	\$ 4,039,600

¹ *In connection with the closing of the merger with Nicor Inc., Mr. Somerhalder's base salary was increased to \$919,000, effective December 9, 2011. Please see the discussion of the merger-related compensation actions beginning on page 54.*

Mr. Somerhalder's compensation, in general, is greater than that of our other executives, reflecting the level of his position and competitive market practice. The Compensation Committee determined that the difference in compensation between our chief executive officer and our other executives is appropriate, based upon the difference in duties and responsibilities.

Mr. Evans - executive vice president and chief financial officer

	From	To
Base Salary	\$ 474,000	\$ 488,000 ¹
Annual Incentive Target (% of base salary)	65%	65%
Long-term Incentive Target (% of base salary)	140%	140%
Target Total Direct Compensation	\$ 1,445,700	\$ 1,488,400

¹ *In connection with the closing of the merger with Nicor Inc., Mr. Evans' base salary was increased to \$512,400, effective December 9, 2011. Please see the discussion of the merger-related compensation actions beginning on page 54.*

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Mr. Linginfelter executive vice president, distribution operations

	From	To
Base Salary	\$463,500	\$477,400 ¹
Annual Incentive Target (% of base salary)	65%	65%
Long-term Incentive Target (% of base salary)	140%	140%
Target Total Direct Compensation	\$ 1,413,675	\$ 1,456,070

¹ In connection with the closing of the merger with Nicor Inc., Mr. Linginfelter's base salary was increased to \$501,270, effective December 9, 2011. Please see the discussion of the merger-related compensation actions beginning on page 54.

Mr. Shlanta executive vice president, general counsel, and chief ethics and compliance officer

	From	To
Base Salary		\$
	\$ 391,500	403,200 ¹
Annual Incentive Target (% of base salary)	55%	55%
Long-term Incentive Target (% of base salary)	85%	85%
Target Total Direct Compensation	\$939,600	\$967,680

¹ In connection with the closing of the merger with Nicor Inc., Mr. Shlanta's base salary was increased to \$423,360, effective December 9, 2011. Please see the discussion of the merger-related compensation actions beginning on page 54.

Mr. Tumminello executive vice president, wholesale services and president, Sequent

	From	To
Base Salary	\$ 335,000	\$ 345,000
Annual Incentive Target (based on % of incentive pool)	\$ 455,000	\$ 455,000