

# NICOR INC.

## AUDIT COMMITTEE CHARTER

### **Organization**

The audit committee's membership, including the number, qualifications and independence of its members, its written charter and its responsibilities shall comply with the corporate governance rules of the New York Stock Exchange ("NYSE") and the requirements of the federal securities laws and the Securities and Exchange Commission ("SEC").

The audit committee shall consist of at least three members, each of whom is independent of management and the company. The board of directors shall appoint the members of the audit committee annually and shall designate the chairman of the committee.

The board of directors shall also have the power at any time to change the membership of the audit committee and fill its vacancies. Subject to rules prescribed by the board of directors, the audit committee shall meet at such times, but not less than four times annually, and at such place as the members of the audit committee shall deem necessary or desirable. Meetings of the audit committee may be called at any time by the chairman of the committee or by any two members of the committee.

Except as expressly provided in this charter or the bylaws of the company, the audit committee shall fix its own rules of procedure.

### **Purpose**

The purpose of the audit committee is to assist the board of directors in fulfilling its oversight responsibility relating to the company's accounting and reporting practices, the quality and integrity of financial reports, the company's compliance with legal and regulatory requirements, adherence to the company's ethics policy, the adequacy of internal controls, the effectiveness of risk management, the independence, qualifications and performance of the company's independent registered public accounting firm, and the performance of the internal audit function. In so doing, it is the responsibility of the audit committee to maintain free and open means of communication between the audit committee, the independent registered public accounting firm, the internal auditors, and the management of the company. The audit committee will periodically hold private, separate sessions with management, internal audit, and representatives of the independent registered public accounting firm.

### **Responsibilities and Duties**

In carrying out its responsibilities, the audit committee believes its policies and procedures should remain flexible, in order to best react to changing conditions and to ensure to the directors and shareholders that the accounting and financial reporting practices of the company continue to comply with all applicable requirements and that they remain of the highest quality. The committee will review and reassess at least annually the audit committee charter in light of current circumstances and changes in regulations, and recommend any proposed revisions to the audit committee charter to the board of directors.

In carrying out its responsibilities, the audit committee will:

#### *Independent Registered Public Accounting Firm:*

Be directly responsible for the appointment, retention, compensation and oversight of the work of the company's independent registered public accounting firm engaged for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for the issuer. The company's independent registered public accounting firm will report directly to the audit committee.

Pre-approve all auditing and non-audit services provided by the company's independent registered public accounting firm. The audit committee may delegate to one or more designated members of the committee the authority to grant pre-approvals. Such delegated pre-approvals shall be presented to the full audit committee at its next meeting.

At least annually, obtain and review a report by the independent registered public accounting firm describing: that firm's internal quality-control procedures and any material issues raised by the most recent internal quality-control review, or peer review of that firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years, respecting one or more independent audits carried out by that firm and any steps taken to deal with any such issues; and to assess from an independence perspective, all relationships between the independent registered public accounting firm and the company.

After reviewing the foregoing report and the independent registered public accounting firm's work throughout the year, the audit committee shall evaluate the auditor's qualifications, performance and independence. Such review shall also include an evaluation of the lead partner of the independent registered public accounting firm. In making its evaluation, the audit committee should take into account the opinions of management and the company's internal auditors. In addition to assuring the regular rotation of the lead audit partner as required by law, the audit committee shall further consider whether, in order to assure continuing auditor independence, there should be regular rotation of the independent registered public accounting firm itself. The audit committee presents its conclusions with respect to the independent registered public accounting firm to the full board.

Discuss with the independent registered public accounting firm and financial management of the company, the scope of the proposed annual audit and quarterly reviews for the current year.

Ensure that the independent registered public accounting firm periodically reports to the audit committee: 1) all critical accounting policies and practices used by the company, 2) all alternative accounting treatments that have been discussed with management, ramifications of such alternative disclosures and treatments, and the treatment preferred by the independent registered public accounting firm, and 3) other material written communications between the independent registered public accounting firm and management.

Review with the independent registered public accounting firm any problems or difficulties encountered during their audit and management's responses thereto.

Set clear hiring policies for employees or former employees of the company's independent registered public accounting firm, consistent with SEC regulations and NYSE listing standards.

#### *Internal Auditors:*

Review the internal audit function of the company including its independence and authority, the proposed audit plans for the coming year and the coordination of such plans with the independent registered public accounting firm.

Review at least annually a summary of findings from completed internal audits and a progress report on the proposed internal audit plan, with explanations for any deviations from the original plan.

#### *Financial Reporting:*

Meet to review and discuss the annual audited financial statements and quarterly financial statements, including the company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," with management and the independent registered public accounting firm to determine significant financial reporting issues, the quality of and any changes to the application of accounting principles, the reasonableness of significant accounting estimates, the clarity of disclosures, and the existence of significant or unusual transactions.

Recommend to the board of directors the inclusion of the audited financial statements of the company in its Annual Report to Shareholders and Form 10-K.

Discuss with management the types of information to be presented in the company's earnings press releases including financial information and earnings guidance.

Prepare the report of the audit committee required by the rules of the SEC to be included in the company's annual meeting proxy statement.

Prior to the filing of each Form 10-Q and the Form 10-K, discuss with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61 and Public Company Accounting Oversight Board Auditing Standard No. 2.

*Internal Control and Risk Management:*

Review periodically and separately, with the independent registered public accounting firm, the internal auditors and management, the adequacy and effectiveness of the accounting and financial controls of the company; any special audit steps adopted in light of material control deficiencies; and any recommendations for the improvement of controls or procedures.

Discuss with the company's CEO and CFO disclosures made to them during their certification process for Forms 10-K and 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein, and any fraud involving management or other employees who have a significant role in the company's internal controls.

Discuss with the company's CEO and CFO their periodic certifications required to be made with the SEC and NYSE.

Review the results of procedures performed to determine adherence to the company's code of conduct and ethics.

Discuss the company's guidelines and policies with respect to risk assessment and risk management with management, the internal auditors and the independent registered public accounting firm.

*General:*

Report regularly to the board of directors.

Establish procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls, or auditing matters; and for the confidential, anonymous submission by employees of the company of concerns regarding questionable accounting or auditing matters.

At least annually, perform a self-evaluation of the audit committee's performance.

Obtain the advice and assistance from outside legal, accounting or other advisors as the committee determines necessary to carry out its duties. The committee may authorize the company to pay for such engagements, as well as to pay for the independent registered public accounting firm hired by the committee.

Perform any other action necessary to comply with the regulations of the SEC and the NYSE.

January 19, 2006