

**AGL RESOURCES INC.
COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE**

CHARTER

The Compensation and Management Development Committee (the “Committee”) of AGL Resources Inc., a Georgia corporation (the “Company”), is a committee of the Board of Directors of the Company, the composition and responsibilities of which are described in this Compensation and Management Development Committee Charter (“Charter”).

The Compensation and Management Development Committee shall assist the Board in fulfilling its responsibility to achieve the Company’s purposes of maximizing the long-term total return to shareholders by ensuring that officers, directors and employees are compensated in accordance with the Company’s compensation philosophy, objectives and compensation policies and by overseeing the implementation by management of management succession and executive development processes. In performing this function, it shall be the objective of the Committee to: (i) encourage the achievement of the Company’s long-range objectives by providing compensation which directly relates to the performance of the individual and the achievement of internal strategic objectives; (ii) establish compensation policies and guidelines that will attract and retain qualified personnel through an overall level of compensation opportunity, at a reasonable cost, that is competitive within the Company’s industry; (iii) promote a direct relationship between compensation and the Company’s performance by facilitating executive officer stock ownership through long-term incentive awards, including awards of stock options and restricted stock; and (iv) encourage and oversee the development by management of management succession and executive development plans. The Committee shall produce an annual report on executive compensation for inclusion in the Company’s proxy statement for the annual meeting of shareholders, in accordance with applicable rules and regulations. The Committee may be assisted with its functions from time to time by various members of the Company’s staff and shall consult with the Company’s Chief Executive Officer and other members of senior management as necessary. The Compensation and Management Development Committee may retain and have direct access to outside consultants to assist it in determining and establishing compensation policies and may authorize independent studies of corporate compensation and benefits of comparable companies.

I. Composition

In accordance with Article III of the Bylaws of the Company, the Board of Directors, by resolution adopted by a majority of the whole Board of Directors, may designate a Compensation and Management Development Committee. The Committee shall consist of no less than three (3) and no more than five (5) Directors. The Committee shall be composed entirely of independent directors, each of whom is determined by the Board of Directors to be independent under the rules of the New York Stock Exchange and under any applicable independence standards adopted by the Board of Directors. In addition, at all times, at least two members of the Committee shall each be a “Non-employee Director” for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and at least two members of the Committee shall each be an “Outside Director” for purposes of Section 162(m) of the Internal Revenue Code of

1986, as amended. Any member of the Committee who is not a Non-employee Director or an Outside Director shall not participate in proceedings or actions that must be conducted and/or approved by a committee composed solely of at least two members who meet the qualifications for Non-employee Directors and Outside Directors as set forth under Rule 16b-3 or Section 162(m), respectively.

The members of the Committee shall serve at the pleasure of the Board of Directors or until their successors shall be duly designated. Vacancies in the Committee shall be filled by the Board of Directors.

II. Responsibilities

The Compensation and Management Development Committee shall:

Evaluations, Succession Planning and Executive Development

- Perform an annual performance evaluation of the Committee.
- Oversee an annual evaluation of the Chief Executive Officer, which shall be communicated to the Chief Executive Officer by the Lead Director of the Board of Directors or, in the absence of a Lead Director, by the Chairman of the Executive Committee of the Board of Directors. Such evaluation should be based on objective criteria including attainment of established goals and objectives, performance of the business, accomplishment of long-term strategic objectives, development of management, etc. Input should be solicited from any relevant parties including, for example, executives of the Company, material investor groups, business partners, and the like.
- Use such annual evaluation of the Chief Executive Officer in the course of the Committee's deliberations when considering the compensation of the Chief Executive Officer.
- Review management succession and executive development plans and oversee the annual evaluation of management.
- The Committee shall focus, in particular, on succession planning with respect to the position of Chief Executive Officer and shall keep available on a continuing basis, the Chief Executive Officer's recommendation as to successor(s) should he or she become disabled.
- Provide developmental feedback, when appropriate, to the Chief Executive Officer of the Company.

Director Compensation

- With the assistance of and based on the recommendations of outside consultants, annually review and recommend to the Board, as appropriate, changes to retainer fees, meeting fees or any other compensation (including stock based compensation) to be paid to non-employee

directors.

Executive Compensation

- Annually review and approve goals with respect to compensation for the Chief Executive Officer and the other executive officers.
- Annually review and approve a compensation philosophy/policy with respect to executive officer compensation and set the compensation of the Chief Executive Officer and the other executive officers. In determining the long-term incentive component of the Chief Executive Officer's compensation, the Committee shall consider, among other things, the Company's performance and relative shareholder return, the value of similar incentive awards to Chief Executive Officers at comparable companies, and the awards given to the Company's Chief Executive Officer in past years.
- Annually establish short- and long-term performance objectives under the Company's short- and long-term incentive compensation plans and determine the attainment of such performance objectives.
- Determine, from time to time, the advisability of retaining a compensation consultant or consultants to assist in the evaluation of non-employee director, Chief Executive Officer or other executive officer compensation, with the authority to retain and terminate such compensation consultants, including sole authority to approve the consultants' fees and other retention terms. Annually, review the performance of such outside consultants.
- Prepare an annual report for the Company's proxy statement regarding executive compensation, as required by the rules of the Securities and Exchange Commission or relevant stock exchanges.

Employee Benefit Plans

- Review proposed significant changes to employee benefit plans, including the retirement plans of the Company, and recommend plan changes to the Board of Directors, as appropriate.
- Periodically review and provide oversight of all of the Company's incentive and equity-based compensation and benefit plans to confirm that such plans remain equitable and competitive and are consistent with compensation policy.
- Administer the Company's long-term incentive plans including the consideration and determination of (i) those executive officer employees to whom stock based awards are to be granted and the number of shares subject to and terms of each such grant; and (ii) grants to be made to non-executive officer employees and other key employees.

General

- Review and comment on the Company's strategic and financial plans to determine their relationship to the compensation program.
- Review with management management's assessments, actions, processes and procedures with respect to certain risks, as identified from time to time by the Committee or by the Audit Committee.
- Coordinate between the Committee and other Board committees, as appropriate and necessary.
- Review with management compliance of compensation programs and practices of the Company with tax, accounting, legal and regulatory requirements.
- Keep abreast of current developments in executive compensation and employee compensation practices outside the Company.

III. Reporting

The Committee shall keep written minutes of each meeting, which shall set forth the Committee's actions as required by the Committee Charter, and shall be duly filed in the Company's records. Reports of meetings of the Committee, including a report of all actions taken, shall be made to the Board of Directors at its next regularly scheduled meeting, following the Committee meeting, accompanied by any recommendations to the Board of Directors approved by the Committee.