

NICOR INC.

COMPENSATION COMMITTEE CHARTER

Organization

The compensation 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 and the proxy rules of the Securities and Exchange Commission ("SEC").

The compensation committee shall consist of at least three members, each of whom satisfies the independence requirements established by the New York Stock Exchange and, if deemed appropriate from time to time, meet the definition of "non-employee director" under Rules 16b-3 under the Securities Exchange Act of 1934 (the "1934 Act"), and "outside director" for purposes of Section 162(m) of the Internal Revenue Code of 1986. The board of directors shall appoint the members of the compensation committee annually and shall designate the chairman of the committee. Committee members may be removed from the compensation committee, with or without cause, by the board of directors.

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

Except as expressly provided in this charter or the by-laws of the company, the compensation committee shall fix its own rules of procedure.

Purpose

The purpose of the compensation committee is to: (1) discharge the board's responsibilities relating to compensation of the company's executives and (2) produce a report on executive compensation as required by the rules of the SEC to be included in the company's proxy statement or annual report on Form 10-K filed with the SEC.

Responsibilities

In carrying out its responsibilities, the compensation 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 executive compensation of the company continue to comply with all applicable requirements. The committee will review and reassess at least annually the compensation committee charter in light of current circumstances and changes in regulations, and recommend any proposed revisions to the compensation committee charter to the board of directors.

In carrying out these responsibilities, the compensation committee will:

- Review and approve corporate goals and objectives relevant to Chief Executive Officer (“CEO”) compensation, evaluate the CEO’s performance in light of those goals and objectives and either as a committee or together with the other independent directors as directed by the board, determine and approve the CEO’s compensation level based on this evaluation.
- Following the end of each fiscal year, oversee evaluation of executive management of the company.
- Review and approve the compensation of non-CEO senior executives.
- Review and approve the compensation of non-management directors.
- Review and approve incentive compensation plans and equity-based plans for senior executives and other selected employees of the company and amendments to all equity-based compensation plans.
- Possess the sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of director, CEO or senior executive compensation and shall have sole authority to approve the consultant’s fees and other retention terms. The compensation committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.
- Adopt, administer, approve and ratify awards under incentive compensation and stock plans, including amendments to the awards made under any such plans, and review and monitor awards under such plans.
- Provide regular reports to the board of directors.
- The compensation committee shall annually review its own performance.
- Form and delegate authority to subcommittees when appropriate.

January 19, 2006