

AGL RESOURCES INC  
Form DEF 14A  
March 18, 2014  
Table of Contents

**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)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

## Edgar Filing: AGL RESOURCES INC - Form DEF 14A

(1) Title of each class of securities to which transaction applies:

(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:

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**Table of Contents**

JOHN W. SOMERHALDER II

Chairman, President and Chief Executive Officer

March 18, 2014

To Our Shareholders:

On behalf of the board of directors, I am pleased to invite you to attend AGL Resources' 2014 annual meeting of shareholders to be held on Tuesday, April 29, 2014, 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 6 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 2013. We will update shareholders on our business plans for 2014. 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

**Table of Contents**

Ten Peachtree Place

Atlanta, Georgia 30309

**NOTICE OF 2014 ANNUAL MEETING OF SHAREHOLDERS**

Time and Date:	10:00 a.m., Eastern time, Tuesday, April 29, 2014
Place:	Ten Peachtree Place, Atlanta, Georgia
Items of Business:	<p>Elect fifteen directors to serve until the 2015 annual meeting;</p> <p>Ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2014;</p> <p>Approve a non-binding resolution to approve the compensation of our named executive officers;</p> <p>Adopt an amendment and restatement of the Company's Amended and Restated Employee Stock Purchase Plan;</p> <p>Consider and act upon the shareholder proposal regarding a gender identity non-discrimination policy as described in this proxy statement, if properly presented at the annual meeting;</p> <p>Consider and act upon the shareholder proposal regarding the implementation of a majority voting standard for the election of directors as described in this proxy statement, if properly presented at the annual meeting; 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 18, 2014 (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 2013 annual report, which contains financial and other information about our business, is enclosed.
Date of Availability:	On or about March 18, 2014, we will mail to certain shareholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy statement and 2013 annual report and how to vote online. All other shareholders will receive the proxy statement and annual report by mail.

Edgar Filing: AGL RESOURCES INC - Form DEF 14A

By Order of the Board of Directors,

Myra C. Bierria

*Corporate Secretary*

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<u>About the Annual Meeting</u>	1
<u>Corporate Governance</u>	8
<u>Board of Directors</u>	8
<u>Director Independence</u>	8
<u>Policy on Related Person Transactions</u>	8
<u>Board Leadership Structure</u>	9
<u>The Board's Role in Risk Oversight</u>	10
<u>Committees of the Board</u>	12
<u>Board and Committee Meetings</u>	16
<u>Executive Sessions without Management</u>	16
<u>Communications with Directors</u>	17
<u>Ethics and Compliance Program</u>	17
<u>Security Ownership of Certain Beneficial Owners and Management</u>	18
<u>Director Compensation</u>	21
<u>PROPOSAL 1 ELECTION OF DIRECTORS</u>	25
<u>General</u>	25
<u>Audit Committee Report</u>	34
<u>PROPOSAL 2 RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2014</u>	35
<u>Compensation and Management Development Committee Report</u>	37
<u>Compensation and Management Development Committee Interlocks and Insider Participation</u>	37
<u>Compensation Discussion and Analysis</u>	38
<u>Executive Compensation</u>	59
<u>Compensation Paid to Named Executive Officers</u>	59
<u>Grants of Plan-Based Awards</u>	61
<u>Outstanding Equity Awards at Fiscal Year End</u>	62
<u>Option Exercises and Stock Vested</u>	64
<u>Pension Benefits</u>	64
<u>Nonqualified Deferred Compensation</u>	66
<u>Potential Payments upon Termination or Change in Control</u>	67
<u>Equity Compensation Plan Information</u>	76
<u>PROPOSAL 3 ADVISORY VOTE ON EXECUTIVE COMPENSATION</u>	78
<u>PROPOSAL 4 ADOPTION OF AN AMENDMENT AND RESTATEMENT OF OUR AMENDED AND RESTATED EMPLOYEE STOCK PURCHASE PLAN</u>	79
<u>PROPOSAL 5 SHAREHOLDER PROPOSAL: GENDER IDENTITY NON-DISCRIMINATION POLICY</u>	83
<u>PROPOSAL 6 SHAREHOLDER PROPOSAL: MAJORITY VOTING STANDARD FOR DIRECTOR ELECTIONS</u>	85
<u>Certain Relationships and Related Transactions</u>	87
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	88
<u>General Information</u>	89
<u>ANNEX A Proposed Amended and Restated Employee Stock Purchase Plan</u>	A-1

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE  
SHAREHOLDER MEETING TO BE HELD ON APRIL 29, 2014:**

A copy of our combined 2013 annual report and Form 10-K for 2013 is being made  
available with this proxy statement. You may receive a stand-alone copy of our 2013

Form 10-K free of charge upon written request directed to:

Edgar Filing: AGL RESOURCES INC - Form DEF 14A

**AGL Resources Inc.**

**Attention: Investor Relations**

**P.O. Box 4569, Location 1071**

**Atlanta, Georgia 30302-4569**

**Our proxy statement and our 2013 annual report and Form 10-K may be accessed at**

*[www.proxyvote.com](http://www.proxyvote.com)*

**and our web site at [www.aglresources.com](http://www.aglresources.com)**



**Table of Contents**

**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 2014 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 ) or Nicor Gas Thrift Plan, your proxy will be voted by Merrill Lynch Bank and Trust Co., FSB, which is the trustee for these plans. If your shares are held in our Birdsall, Inc. Retirement Savings Plan (the Birdsall 401(k) Plan ), your proxy will be voted by The Vanguard Fiduciary Trust Company, which is the trustee for the Birdsall 401(k) Plan. 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 trustee of the AGL 401(k) Plan to vote your shares in accordance with your telephone, internet or written proxy vote, or if you do not vote, FOR ALL nominees listed in proposal 1, FOR proposals 2, 3 and 4, and AGAINST proposals 5 and 6, and as instructed by the Administrative Committee on any other proposals that may properly come before the meeting. Each trustee of the Birdsall 401(k) Plan and Nicor Gas Thrift Plan 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 participants in the respective plan 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 ( SEC ), 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](http://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](http://www.proxyvote.com).

***When will Proxy Materials be provided to shareholders?***

A Notice of Internet Availability of Proxy Materials or this Proxy Statement is first being mailed to shareholders on or about March 18, 2014.

***Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be Held on April 29, 2014.***

***The proxy statement and annual report are available at [www.proxyvote.com](http://www.proxyvote.com)***

**Table of Contents**

***What will I be voting on?***

You will be voting on:

Proposal 1 the election of 15 directors to serve until the 2015 annual meeting;

Proposal 2 the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2014;

Proposal 3 the approval of 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 this 2014 annual shareholder meeting proxy statement;

Proposal 4 the adoption of an amendment and restatement to the Company's Amended and Restated Employee Stock Purchase Plan;

Proposal 5 the consideration of the shareholder proposal regarding a gender identity non-discrimination policy as described in this proxy statement, if properly presented at the annual meeting;

Proposal 6 the consideration of the shareholder proposal regarding the implementation of a majority voting standard for the election of directors as described in this proxy statement, if properly presented at the annual meeting; 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 ALL** nominees listed in proposal 1, **FOR** each of proposals 2, 3 and 4 and **AGAINST** each of proposals 5 and 6.

***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.

## Edgar Filing: AGL RESOURCES INC - Form DEF 14A

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 plan trustee can vote your plan shares even if you attend the

## **Table of Contents**

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?***

If you return a signed and dated proxy or vote instruction card without indicating your vote, your shares will be voted FOR ALL nominees listed in proposal 1, FOR each of proposals 2, 3 and 4, and AGAINST each of proposals 5 and 6 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 (i) 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 ALL nominees listed in proposal 1, FOR each of proposals 2, 3 and 4, and AGAINST each of proposals 5 and 6, and as instructed by the Administrative Committee on any other proposals that may properly come before the meeting and (ii) in the case of the Nicor Gas

Thrift Plan and Birdsall 401(k) Plan, the plan trustees will vote your plan shares in the same proportion that other participants in the respective plan 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 six 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, will vote your shares FOR ALL nominees listed in proposal 1, FOR each of proposals 2, 3 and 4, and AGAINST each of proposals 5 and 6, and as instructed by the Administrative Committee on any other proposals that may properly come before the meeting. In the case of the Nicor Gas Thrift Plan and Birdsall 401(k) Plan, the plan trustees will vote your shares in the same proportion that other participants in the respective plan have voted their shares.

### ***How many shares may I vote?***

As of February 18, 2014, the record date for voting at the annual meeting, 119,226,270 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 28,475 shares held by a trust which holds

## **Table of Contents**

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 will be available at the annual meeting for inspection by any shareholder. A list of shareholders will also be available for inspection by any shareholder during ordinary business hours at our principal place of business at Ten Peachtree Place, Atlanta, Georgia.

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

A majority of the 119,226,270 shares of AGL Resources common stock outstanding on the record date, not including the 28,475 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.

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

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

*Election of 15 directors:* Directors are elected by a plurality of the total number of votes cast, which means the 15 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 the votes cast FOR to exceed the votes cast AGAINST.

*Adoption of amendment and restatement of the Company's Amended and Restated Employee Stock Purchase Plan:* Adoption of an amendment and restatement of the Company's Amended and Restated Employee Stock Purchase Plan requires the votes cast FOR to exceed the votes cast AGAINST.

*Shareholder Proposal regarding a Gender Identity Non-Discrimination Policy:* Adoption of the shareholder proposal regarding a gender identity non-discrimination policy requires the votes cast FOR to exceed the votes cast AGAINST.

*Shareholder Proposal regarding Majority Voting Standard for Director Elections:* Adoption of the shareholder proposal regarding a majority voting standard for director elections requires the votes cast FOR to exceed the votes cast AGAINST.

### ***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 Vote Requirements for Election, 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



## **Table of Contents**

decision and the rationale behind the decision within 90 days after the certification of the election results.

### ***What if I vote to withhold authority to elect directors?***

In voting for the election of directors, a vote to withhold all or for all except 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 all or for all except one or more director nominees will not affect the outcome of the election. However, a vote to withhold all or for all except one or more director nominees 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), the proposal to adopt the non-binding resolution to approve the compensation of our named executive officers (Proposal 3), the proposal to adopt an amendment and restatement of the Company's Amended and Restated Employee Stock Purchase Plan (Proposal 4) or the shareholder proposals described in this proxy statement (Proposal 5 and Proposal 6).

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. 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](http://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 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

## **Table of Contents**

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 annual 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.

### ***When are shareholder proposals for the 2015 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 that the proxy statement was released to shareholders in connection with our most recent annual meeting. Accordingly, with respect to our 2015 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 18, 2014. However, if the 2015 annual meeting of shareholders is held on a date more than 30 days from the date contemplated at the time of this proxy statement, our bylaws require notice to be provided to our Corporate Secretary at the address above not fewer than the later of (i) 150 days prior to the date of the 2015 annual meeting of shareholders or (ii) the date which is ten days after the date of the first public announcement or other notification to shareholders of the date of the 2015 annual meeting of shareholders.

If you are interested in submitting a proposal for inclusion in our proxy statement for the 2015 annual meeting of shareholders, 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 2015 annual meeting of shareholders must be received no later than November 18, 2014, by our Corporate Secretary at the address above.



**Table of Contents**

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.

## **Table of Contents**

### **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](http://www.aglresources.com).

In accordance with these Standards, the board undertook in February 2014 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.

#### **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 of the policy, Related Persons include (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,

## **Table of Contents**

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 since January 1, 2013; (3) transactions excluded from disclosure in paragraphs four through seven of the instructions to Item 404(a) of Regulation S-K under 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 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 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**

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. In 2013, our board of directors consisted of Mr. Somerhalder and 15 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](http://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 (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-

## **Table of Contents**

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.

We have determined that our current board leadership structure is appropriate and helps ensure both effective and efficient governance 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. In fact, our chief executive officer is the only one of our current 16 directors who is not independent. 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 committees 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 contact the Company's Ethics and Compliance Helpline at (800) 350-1014 or at [www.mycompliancereport.com](http://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.

### **The Board's Role in Risk Oversight**

The Board oversees the Company's risk assessment and risk management processes. It does so in part through the committees of the Board. 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 and derivatives related to any of the foregoing; (ii) review steps taken by management to

**Table of Contents**

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.

In addition, the Board authorized the formation of the Company's Risk Management Committee (RMC), a committee of certain

members of senior management. The RMC is responsible for establishing specific risk management policies and monitoring compliance with, and adherence to, the terms of these policies. Members of the RMC are members of senior management who monitor open natural gas price risk positions and other types of risk, corporate exposures, credit exposures and overall results of our risk management activities. The RMC is chaired by the Company's chief risk officer, who is responsible for ensuring that appropriate reporting mechanisms exist for the RMC to perform its monitoring functions.

The Company conducts an annual enterprise risk assessment, overseen by a sub-committee of the RMC. The purpose of the assessment includes identifying and rating the management of all of the Company's significant risk exposures. The RMC uses the results of this assessment to prioritize the goals of the Company's risk management program and monitor the Company's major risks. Management reports to the Board any new risks identified since the previous year's assessment.

**Table of Contents****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](http://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, 2013 are as shown in the following table.

**Members of the Board's Committees**

	<b>Audit</b>	<b>Compensation and Management Development</b>	<b>Executive</b>	<b>Finance and Risk Management</b>	<b>Nominating, Governance and Corporate Responsibility</b>
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		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.

**Audit Committee**

The Audit Committee met eight times during 2013. 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 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



## **Table of Contents**

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 2014.

### *Compensation and Management Development Committee*

The Compensation and Management Development Committee, or Compensation Committee, met seven times during 2013. 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.

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. In January 2014, the Compensation and Management Development Committee adopted a policy on granting equity compensation awards that provides additional terms and conditions for making grants. See Compensation Discussion and Analysis Other Policies Governing our Executive Compensation Program Grants of Long-Term Incentive Awards for more detail concerning our grant policy.

Our chief executive officer, based on the performance evaluations of the other



## **Table of Contents**

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 compensation consultants. Accordingly, Frederic W. Cook & Co., Inc., or F.W. Cook, was retained directly by the Compensation and Management Development Committee to assist it in 2013. 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.

The Compensation and Management Development Committee evaluated the independence of F.W. Cook in light of new SEC rules and New York Stock Exchange listing standards, which require consideration of the following factors:

whether any other services are provided to the Company by the consultant;

the fees paid by the Company as a percentage of the consulting firm's total revenue;

the policies or procedures maintained by the consulting firm that are designed to prevent a conflict of interest; any business or personal relationships between the individual consultants involved in the engagement and a member of the Compensation and Management Development Committee;

any company stock owned by the individual consultants involved in the engagement; and

any business or personal relationships between our executive officers and the consulting firm or the individual consultants involved in the engagement.

The Compensation and Management Development Committee discussed these considerations and concluded that the engagement of F.W. Cook and the services provided to the Compensation and Management Development Committee by F.W. Cook did not raise any conflict of interest.

### *Executive Committee*

The Executive Committee met one time during 2013. 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 five times during 2013. 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

## **Table of Contents**

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 four times during 2013. All members of the Nominating, 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](http://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;

## **Table of Contents**

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

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 company leaders and through other means. During 2013, the board of directors held six 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 2013, the board met in executive session six times.

## **Table of Contents**

### **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](http://www.mycompliancereport.com). A copy of our Procedures for Communicating with the Board of Directors of AGL Resources Inc. is available on our web site at [www.aglresources.com](http://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, 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 web site at [www.aglresources.com](http://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 web site at [www.aglresources.com](http://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.

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT****Directors and Executive Officers**

The following table presents the number of shares of AGL Resources common stock beneficially owned by each director, each named executive officer and by all executive officers and directors as a group as of December 31, 2013, based on information furnished by them to us. Our named executive officers are those individuals named in the Summary Compensation Table under the caption Executive Compensation.

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, 2013, upon the exercise of outstanding stock options but excludes shares and share equivalents held under deferral plans which are disclosed in a separate column. Unless otherwise indicated, all directors and executive officers have sole voting and investment power with respect to the shares shown. As of December 31, 2013, no individual director, 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	3,410	0	12,301	15,711
Thomas D. Bell, Jr.	28,654	0	0	28,654
Norman R. Bobins(3)	8,700	0	0	8,700
Charles R. Crisp	12,874	0	13,532	26,406
Brenda J. Gaines	8,010	0	0	8,010
Arthur E. Johnson	4,338	0	44,589	48,927
Wyck A. Knox, Jr.	12,122	0	42,894	55,016
Dennis M. Love	31,497	0	39,113	70,610
Charles H. McTier	2,400	0	18,425	20,825
Dean R. O Hare	18,707	0	864	19,571
Armando J. Olivera	1,875	0	9,670	11,545
John E. Rau(4)	17,253	0	0	17,253
James A. Rubright	17,923	0	24,329	42,252
John W. Somerhalder II(5)	148,535	384,400	38,254	571,189
Bettina M. Whyte	14,234	0	15,171	29,405
Henry C. Wolf	27,287	0	12,344	39,631
Andrew W. Evans	66,967	0	0	66,967
Henry P. Linginfelter	67,575	26,900	40	94,515
Paul R. Shlanta	33,411	40,740	0	74,151
Peter I. Tumminello	50,864	12,870	0	63,734
All executive officers and directors as a group (21 persons)(6)	606,349	477,310	271,526	1,355,185

**Table of Contents**

- (1) 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 4,610 shares held in a trust for which Mr. Rau has sole voting and investment power with respect to the shares.
- (5) Includes 43,000 shares held in a trust for which Mr. Somerhalder has sole voting and investment power with respect to the shares.
- (6) Includes 29,713 shares and 12,400 option 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 <sup>nd</sup> Street New York, NY 10022	9,342,986(1)	7.9%
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	9,656,960(2)	8.1%

- (1) Based on the Schedule 13G/A filed with the SEC on January 28, 2014, in which BlackRock, Inc. reported that it holds all of its shares as a parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G) of the Exchange Act and has sole voting power with respect to 8,167,090 of its shares and sole dispositive power with respect to all of its shares.

## Edgar Filing: AGL RESOURCES INC - Form DEF 14A

- (2) Based on the Schedule 13G/A filed with the SEC on February 10, 2014, in which The Vanguard Group, Inc. ( Vanguard ) reported that it holds all of its shares as an investment advisor in accordance with Rule 13d-1(b)(1)(ii)(E) of the Exchange Act and has sole voting power of 262,565 of the total shares, sole dispositive power of 9,506,245 of the total shares and shared dispositive power of 150,715 of the total shares. Based on the Schedule 13G/A, (i) the Vanguard Fiduciary Trust Company ( VFTC ), a wholly-owned subsidiary of

**Table of Contents**

Vanguard, is the beneficial owner of 150,715 shares or 0.12% of the common stock outstanding of the Company as a result of its serving as investment manager of collective trust accounts, and as such, VFTC directs the voting of these 150,715 shares; and (ii) the Vanguard Investments Australia, Ltd. ( VIA ), a wholly-owned subsidiary of Vanguard, is the beneficial owner of 111,850 shares or 0.09% of the common stock outstanding of the Company as a result of its serving as investment manager of Australian investment offerings, and as such, VIA directs the voting of these 111,850 shares.



**Table of Contents**

**DIRECTOR COMPENSATION**

**General**

A director who is an employee of the Company receives no additional compensation for his or her services as a director. A director who is not an employee (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. For 2013, the annual retainer was \$190,000, of which \$95,000, or the Cash Portion, was payable in cash and \$95,000, or the Equity Portion, was payable in shares of our common stock on the first day of the 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.

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.

Non-employee directors do not receive additional compensation for attending board or committee meetings.

**Committee Chair and Lead Director Retainer**

Committee chairs receive an additional annual retainer on the first day of each annual service term. For 2013, the additional annual retainer for each committee chair was \$15,000, and the additional annual retainer for the Lead Director was \$25,000. The committee chair and Lead Director retainers were payable, at the election of each director, in cash or shares of our common stock, or they were deferred under the Common Stock Equivalent Plan.

**Table of Contents****2013 Non-Employee Director Compensation Paid**

The following table summarizes compensation earned and paid to or deferred by each non-employee director for service as a director during 2013.

**2013 Non-Employee Director Compensation**

Name	Fees Earned or	Stock Awards	All Other	Total
	Paid in Cash		Compensation	
	(\$)(1)	(\$)(1)(2)(3)(4)	(\$)	(\$)
Sandra N. Bane	95,000	95,000		190,000
Thomas D. Bell, Jr.	95,000	95,038		190,038
Norman R. Bobins	95,000	95,038		190,038
Charles R. Crisp	91,250	95,038		186,288
Brenda J. Gaines	95,000	95,038		190,038
Arthur E. Johnson	136,250	95,000		231,250
Wyck A. Knox, Jr.	95,000	95,000		190,000
Dennis M. Love	0	205,006		205,006
Charles H. McTier	95,000	95,000		190,000
Dean R. O Hare	95,000	95,038		190,038
Armando J. Olivera	0	190,000		190,000
John E. Rau	0	190,033		190,033
James A. Rubright	110,000	95,038		205,038
Bettina M. Whyte	95,000	115,038		210,038
Henry C. Wolf	5,000	200,030		205,030

- (1) Reflects the aggregate annual retainer, and any chair or Lead Director retainers, paid to each director in 2013. Half of the \$190,000 annual retainer is paid in stock or may be deferred as common stock equivalents. The other half of the annual retainer, and any chair or Lead Director retainers, may be paid in cash or stock (or deferred as common stock equivalents), at the election of the 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 are incorporated by reference to Note 7 Stock-Based Compensation to the financial statements in our annual report on Form 10-K filed with the SEC on February 6, 2014.

**Table of Contents**

- (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 2013.

Name		Date of Grant 4/30/13 (\$)	Total Grant Date Fair Value (\$)
Sandra N. Bane	Common Stock Equivalent	95,000	95,000
Thomas D. Bell, Jr.	Common Stock	95,038	95,038
Norman R. Bobins	Common Stock	95,038	95,038
Charles R. Crisp	Common Stock	95,038	95,038
Brenda J. Gaines	Common Stock	95,038	95,038
Arthur E. Johnson	Common Stock Equivalent	95,000	95,000
Wyck A. Knox, Jr.	Common Stock Equivalent	95,000	95,000
Dennis M. Love	Common Stock	205,006	205,006
Charles H. McTier	Common Stock Equivalent	95,000	95,000
Dean R. O Hare	Common Stock	95,038	95,038
Armando J. Olivera	Common Stock Equivalent	190,000	190,000
John E. Rau	Common Stock	190,033	190,033
James A. Rubright	Common Stock	95,038	95,038
Bettina M. Whyte	Common Stock Equivalent	95,000	
	Common Stock	20,038	115,038
Henry C. Wolf	Common Stock	200,030	200,030

- (4) The aggregate number of stock awards, which includes shares of our common stock and common stock equivalents, for each of the non-employee directors outstanding at December 31, 2013, was as follows:

Name	Shares Outstanding (#)	Common Stock Equivalents Outstanding #(a)	Total Stock Awards Outstanding #(a)
Sandra N. Bane	3,410	12,301	15,711
Thomas D. Bell, Jr.	25,141	0	25,141
Norman R. Bobins	6,443	0	6,443
Charles R. Crisp	12,874	13,532	26,406
Brenda J. Gaines	5,506	0	5,506
Arthur E. Johnson	8,234	44,589	52,823
Wyck A. Knox, Jr.	11,575	42,894	54,469
Dennis M. Love	32,755	39,113	71,868
Charles H. McTier	1,000	18,425	19,425
Dean R. O Hare	16,707	864	17,571
Armando J. Olivera	1,875	9,670	11,545
John E. Rau	11,009	0	11,009
James A. Rubright	22,523	24,329	46,852
Bettina M. Whyte	12,859	15,171	28,030
Henry C. Wolf	31,260	12,344	43,604

- (a) Includes dividend equivalents.

**Table of Contents**

**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.

**Table of Contents**

**PROPOSAL 1 ELECTION OF DIRECTORS**

**GENERAL**

The board of directors presently consists of sixteen members, fifteen of whom are non-employee directors. At the 2014 annual meeting, fifteen directors will stand for re-election and one current non-employee director will retire.

**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 2014 annual meeting should serve as a director include: (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

---

## **Table of Contents**

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, 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 2015. 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 and the trustee of the AGL 401(k) Plan, 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.

Under our bylaws, any director who attains his or her 75th birthday will no longer be eligible to be an active director of the Company upon the completion of the term for which he or she was elected. Accordingly, Mr. Charles H. Pete McTier's term will expire at the 2014 annual meeting. Mr. McTier has served on our board of directors for seven years. During his tenure, Mr. McTier's roles included service on the board's Corporate Development, Environmental and Corporate Responsibility Committee, Audit Committee and Nominating, Governance and Corporate Responsibility Committee. Mr. McTier's dedication, insight and extraordinary service are greatly appreciated.

## **Nominees For Election**

*Sandra N. Bane*, former 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, 61, 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.



**Table of Contents**

Thomas D. Bell, Jr., Chairman of Mesa Capital Partners, LLC, a real estate investment firm, since 2011; former Chairman of SecurAmerica LLC, a provider of premium contract security services, from January 2010 to September 2012; 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, 64, 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 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, Chief Executive of Norman Bobins Consulting LLC, an independent consulting firm, since 2008; 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; 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 71, 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' extensive knowledge of and experience in banking and finance and his 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 Chicago area, which helps provide our Company with important business insights and access to other business leaders.



**Table of Contents**

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, 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 from 1969 until 1982; and currently a director of EOG Resources Inc., IntercontinentalExchange Group, Inc. ( ICE ), NYSE Liffe U.S., LLC, a subsidiary of ICE, and Targa Resources Corp. Mr. Crisp, 66, 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 are 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; currently a director of Federal National Mortgage Association (Fannie Mae) and Tenet Healthcare Corporation; and formerly a director of CNA Financial Corporation and Office Depot, Inc. Ms. Gaines, 64, 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 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, 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,

**Table of Contents**

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 2001 until his retirement in 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 April 1996 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 Fixed Income and Asset Allocation Funds; and formerly a director of Delta Air Lines Inc. and IKON Office Solutions Corporation. Mr. Johnson, 67, 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; Chairman and Chief Executive Officer of Knox Rivers Construction Company from 1976 until 1995; and currently a director and Chairman of nBank Corp. Mr. Knox, 73, has been a director of AGL Resources since November 1998.

With over 46 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.

**Table of Contents**

**Dennis M. Love**, Chairman of the Board 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, 58 has been a director of AGL Resources since October 1999.

Mr. Love's more than 25 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.

**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; currently a director of Fluor Corporation; and formerly a director of HJ Heinz Company. Mr. O Hare, 71, 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 30 years of global business experience, Mr. O Hare is a valuable member of our board of directors. Mr. O Hare 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 compensation committee and as chairman of the governance committee of the board of directors of Fluor Corporation, provide 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**, former President and Chief Executive Officer, Florida Power & Light Company ( FP&L ), an electric utility services company with over \$10 billion in annual revenue, from June 2003 until his retirement in May 2012; various other positions with increasing responsibility at FP&L from 1972 to 2003; currently a director of Fluor Corporation; and formerly a director of FP&L. Mr. Olivera, 64, 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 was a 40-year veteran of FP&L. Throughout his career at FP&L, he served in several senior executive positions, including president and chief executive officer at the time of his retirement.

**Table of Contents**

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 trustee of Miami Dade College and Cornell University and a director of Cornell Atkinson Sustainability Center and Classical South Florida Radio Station.

[John E. Rau](#), President and Chief Executive Officer of Miami Corporation, a private asset management firm, since December 2002; Chairman of 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; currently a director of First Industrial Realty Trust, Inc. and BMO Financial Corp./BMO Harris Bank, N.A.; and previously a director of BorgWarner Inc. and Wm. Wrigley Jr. Company. Mr. Rau, 65, has been a director of AGL Resources since December 2011, was a director of Nicor Inc. from 1998 to December 2011 and Nicor Inc.'s lead director from 2006 to 2011.

Mr. Rau is the chief executive officer of Miami Corporation, a private investment management company. 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](#), former Chairman and Chief Executive Officer of RockTenn Company, an integrated paperboard and packaging company, from 1999 until his retirement in October 2013; and Executive Vice President of Sonat, Inc., an energy company, from 1994 until 1999; currently, Mr. Rubright is a principal in Privet Fund Management, LLC, a hedge fund management company, and is a director of Forestar Group, Inc.; and formerly a director of Avondale, Inc., Oxford Industries, Inc. and RockTenn Company. Mr. Rubright, 67, has been a director of AGL Resources since August 2001.

**Table of Contents**

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 chief executive officer 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 composition 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 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, Crestwood Gas Services GP LLC and Crestwood Equity Partners LP. Mr. Somerhalder, 58, 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

**Table of Contents**

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, Price Waterhouse LLP from 1990 until 1997; and currently a director of Akal Security, Inc., Amerisure Companies, RockTenn Company and Annie s, Inc. Ms. Whyte, 64, 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.

**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. and Colonial Williamsburg Co. and a trustee of Colonial Williamsburg Foundation. Mr. Wolf, 71, has been a director of AGL Resources since April 2004.

Mr. Wolf s unique professional background of over 40 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 2013 annual meeting of shareholders.

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

**Table of Contents**

**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](http://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 2013 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 applicable audit standards adopted by the Public Company Accounting Oversight Board, including Auditing Standard No. 16, Communication with Audit Committees, regarding PricewaterhouseCoopers' 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 2013 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 2014****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, 2013, and the effectiveness of our internal control over financial reporting as of December 31, 2013.

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, 2014. 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 2014, 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 2013 and 2012:

<b>Fee Category:</b>	<b>2013</b>	<b>2012</b>
Audit fees	\$ 3,589,435	\$ 3,264,734
Audit-related fees	132,000	70,154
Tax fees	51,561	77,436
All other fees	27,000	4,300
<b>Total fees</b>	<b>\$ 3,799,996</b>	<b>\$ 3,416,624</b>

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 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 subsidiary that was an SEC reporting company until January 2013, and audits of several subsidiaries.

*Audit-Related Fees*



## Edgar Filing: AGL RESOURCES INC - Form DEF 14A

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 associated with Atlanta Gas Light Company's customer information system, prepared for certificated retail marketers of natural gas in Georgia, potential acquisitions and dispositions and the audit of employee benefit plan financial statements.

## **Table of Contents**

### *Tax Fees*

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

### *All Other Fees*

Represents fees PricewaterhouseCoopers billed us for our attendance of accounting and tax conferences.

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 2014.**

**Table of Contents**

**COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE REPORT**

The Compensation and Management Development 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 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](http://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 2013 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

Armando J. Olivera

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, or the Compensation Committee, during 2013: Sandra N. Bane, Thomas D. Bell, Jr., Norman R. Bobins, Charles R. Crisp, Armando J. Olivera, James A. Rubright, Bettina M. Whyte (Chair) and Henry C. Wolf. None of such persons was, during 2013 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. There were no compensation committee interlocks or insider participation in compensation decisions that are required to be disclosed in this proxy statement. None of the members of the Compensation Committee had any relationship requiring disclosure under Certain Relationships and Related Transactions.



**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS**

The following section contains a detailed description of our compensation objectives and policies, the elements of our compensation program, and the material factors the Compensation Committee considered in setting the compensation of our named executive officers for 2013, who are listed below:

<b>Name</b>	<b>Title</b>
John W. Somerhalder II	Chairman of the Board, President and Chief Executive Officer
Andrew W. Evans	Executive Vice President and Chief Financial Officer
Henry P. Linginfelter	Executive Vice President, Distribution Operations
Paul R. Shlanta	Executive Vice President, General Counsel, and Chief Ethics and Compliance Officer
Peter I. Tumminello	Executive Vice President, Wholesale Services, and President of Sequent Energy Management (Sequent)

**Compensation Philosophy**

Our compensation program is designed to reward employees for achieving our strategic and financial objectives; to attract, retain, motivate and reward top executive talent; 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 are expected to 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 and business unit 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.

**How We Tie Pay to Company Performance**

Our program is structured so that a significant portion of target total direct compensation for our executives is contingent on our achievement of certain goals and targets related to financial and operational performance, and our total shareholder return relative to our peer group. We believe these performance criteria strengthen the alignment between executive pay and value-creation for our shareholders.

There are three elements of total direct compensation in our compensation program: base salary, annual incentive, and long-term equity awards. Our annual incentive awards, which are paid in cash, are considered to be at risk compensation because they are conditioned upon our achievement of pre-established performance goals. Annual incentive awards for Messrs. Somerhalder, Evans, Linginfelter and Shlanta are based upon

**Table of Contents**

achievement of a Plan EPS goal and business unit goals, while Mr. Tumminello's annual incentive award is based primarily on Plan Earnings of Sequent Energy Management, L.P. (Sequent), our wholesale services segment.

Our long-term equity awards are also considered to be at risk compensation because their value varies with our stock price

and their vesting is conditioned upon achievement of pre-established performance goals. Long-term equity awards consist of performance-based restricted stock units, which require achievement of an EBITDA target, and performance share units, which are eligible to vest based on our total shareholder return relative to our peer group over a period of three years.

As shown in the following chart, a significant portion of target total direct compensation for 2013 was at risk for each of our named executive officers.

***2013 Performance Highlights.***

In 2013, our company generated net income of \$313 million and diluted earnings per share (EPS) of \$2.64, compared to net income of \$271 million and diluted EPS of \$2.31 in fiscal year 2012.

We increased our annual dividend to shareholders by 2%, from \$1.84 per share to \$1.88 per share, continuing a strong track record of annual dividend increases.

We generated total shareholder return (stock price appreciation and dividends) of 47.1% for the three-year period ended December 31, 2013.

We achieved strong results in our regulated utility business, driven by higher operating margins from colder-than-normal weather and regulatory infrastructure investments, as well as lower operating expenses.

We achieved important legislative and regulatory outcomes during 2013 in several of our state jurisdictions. These programs provide incentives for future rate base growth and investment in our system infrastructure; create jobs and support the economies in the states we serve; and accelerate the recovery of our investments through mechanisms that reduce regulatory lag.

We expanded our retail business through strategic acquisitions in key geographic areas and markets, which helped drive strong results in 2013 and establish a platform for future growth.

## **Table of Contents**

We generated significant economic value in our wholesale services business due primarily to capturing the value of our positions in key Northeastern markets during periods of high market demand and capacity constraints. We also sold our Compass C&I (commercial and industrial) business and recorded a pre-tax gain of \$11 million on the sale.

We continued to seek ways to optimize our non-regulated natural gas storage assets and position the business for long-term success, despite the continuing challenges of operating in a declining-rate, low-volatility environment.

We completed \$500 million of long-term (30-year) debt financing at attractive rates relative to historical levels.

**2013 Performance and Compensation.** Reflecting our pay-for-performance compensation philosophy, the compensation of our named executive officers was directly affected by our financial results in 2013, both with respect to the amount of annual incentive and long-term equity awards earned and to the underlying value of long-term equity awards.

### ***Annual Incentive Awards***

Our 2013 annual incentive awards were based upon a combination of several goals:

Corporate Plan EPS (described on page 48),

EBIT and other operating metrics for business units (described on page 50), and

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

As described above, 2013 was a successful year for the Company, and we met the Plan EPS hurdle and exceeded the target goals under the annual incentive plan. Accordingly, the named executive officers earned an annual incentive plan payout for 2013 equal to 187% of target. Please see the discussion of the annual incentive award program beginning on page 40.

We provide a separate annual incentive program for Mr. Tumminello, who leads our wholesale services segment and serves as president of Sequent. Mr. Tumminello's annual incentive is primarily based upon Sequent's Plan Earnings, with a smaller component based on the performance of midstream operations (storage and fuels). Based upon 2013 performance, Mr. Tumminello received an incentive plan payout of \$733,751 relating to Sequent, and an additional \$64,325 for the performance of midstream operations. Please see page 53 for a description of Mr. Tumminello's incentive program.

### ***Long-Term Incentive Awards***

In 2013, 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 70% of each executive's target long-term incentive value). The restricted stock units include a one-year EBITDA hurdle, followed by a three-year ratable time-based vesting schedule. Because the Company met the EBITDA hurdle, all of the RSUs granted in 2013 converted to time-vesting restricted stock.

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. The performance period for the performance share units granted in

2013 will be completed at the end of 2015.



## **Table of Contents**

The performance share units granted in 2011, which had a three-year performance period that ended December 31, 2013, were earned at 109% of target because AGL's RTSR was at the 54.5 percentile relative to its peer group. Please see the discussion of the long-term incentive awards beginning on page 55.

### ***Continuity Agreements***

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 provision, 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 of time. The continuity agreements were recently renewed for a term that runs through December 31, 2015. A description of the continuity agreements begins on page 56.

### ***Limited Perquisites***

As in prior years, the only perquisite that we offer our executives is reimbursement for mandatory tax return preparation.

***Changes in Compensation Program for 2013.*** As part of its ongoing effort to enhance and refine the compensation program, the Compensation Committee made several important changes to the compensation program for 2013:

For executive officers, the Compensation Committee changed the way that Plan EPS is calculated by requiring an adjustment to reflect the economic value created in the plan period associated with transportation hedges at Sequent, similar to the plan adjustments that reflect the economic value of Sequent's storage positions. We believe that this change allows us to more accurately consider the economic value created by the Company in a particular year.

We revised our annual incentive plan to eliminate individual goals for the named executive officers and to introduce new performance and operating metrics specific to the various business units. We shifted the performance measures for our regulated business unit (distribution operations) from EBIT to measures of O&M Expense per customer and goals related to safety and customer service, but we retained an EBIT-based affordability factor that would reduce the resulting payout if EBIT performance was less than \$540 million. Please see the discussion of the business unit components of our annual incentive plan beginning on page 50.

In addition, the performance hurdle for restricted stock units granted in 2013 was based on EBITDA instead of Plan EPS. We believe that the addition of a new performance hurdle provides greater diversification of incentive criteria across our compensation program.

Salaries of our named executive officers were increased by 3%, effective July 1, 2013.

### **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 many areas. For example:

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

## **Table of Contents**

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 awards are assumed by the acquiring company.

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

The Compensation Committee engages an independent compensation consultant.

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

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

Company policy requires the recovery of certain incentive-based compensation paid to current or former executive officers in the event of an accounting restatement.

### **Say on Pay Results and Consideration of Shareholder Support**

At the annual meeting of shareholders on April 30, 2013, over 97% of the votes cast were in favor of the advisory vote to approve executive compensation. The Compensation

Committee considered this positive result and concluded that the shareholders continue to support the compensation paid to our executive officers and the Company's overall pay practices.

In light of this support, the Compensation Committee decided to retain the core design of our executive compensation program for 2013, with an emphasis on short and long-term incentive compensation that rewards our senior executives when they successfully implement our business plan and, in turn, deliver value for our shareholders. As described above, the Compensation Committee made several changes to the goals and weightings used in compensation programs for 2013, which it believes will more effectively link pay to performance.

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. The Committee invites our shareholders to communicate any concerns or opinions on executive pay directly to the Board. Please refer to Corporate Governance Communications with Directors on page 17 for information about communicating with the Board.

Based upon the preference expressed by our shareholders at the 2011 annual meeting, the Board has implemented an annual advisory vote on executive compensation. The next required vote on the frequency of shareholder votes on executive compensation is scheduled to occur at the 2017 annual meeting.

**Table of Contents**

**How We Make Compensation Decisions**

The Compensation Committee oversees our executive compensation program. Information about the Compensation Committee and its composition and responsibilities can be found on page 13 of this proxy statement, under the caption Corporate Governance Committees of the Board 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><b>Roles and Responsibilities</b></i>
<i>Compensation Committee</i>	<p>Approves incentive programs and sets performance goals.</p> <p>Determines appropriate levels of compensation for our executives, other than our CEO.</p> <p>Recommends to independent Board members compensation opportunities and awards for our CEO.</p>
<i>F.W. Cook (Independent consultant to the Compensation Committee)</i>	<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>
<i>Independent Directors on Full Board</i>	<p>Evaluates CEO performance.</p>
<i>CEO</i>	<p>Approve compensation for our CEO.</p> <p>Develops an assessment of individual performance for each other executive.</p> <p>Provides recommendations to the Compensation Committee regarding individual compensation levels for such executives.</p> <p>Provides recommendations to the Compensation Committee regarding goals for the performance measures in the incentive plans.</p>
<i>Other members of management</i>	<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>

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.

## **Table of Contents**

### *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 2013, F.W. Cook prepared a competitive assessment 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 2013, the energy industry database included 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 2013, the following companies were included in our energy industry database:

Alliant Energy Corporation

Ameren Corporation

Atmos Energy Corporation

Calpine Corporation

CenterPoint Energy, Inc.

CMS Energy Corporation

Consolidated Edison, Inc.

DTE Energy Company

El Paso National Gas Company

Enbridge Energy Management, L.L.C.

Energen Corporation

Entergy Corporation

EQT Corporation

First Solar, Inc.

IDACORP, Inc.

Integrus Energy Group, Inc.

MDU Resources Group, Inc.

Northeast Utilities

NRG Energy, Inc.

NSTAR Electric Company

NV Energy Inc.

OGE Energy Corp.

Pepco Holdings, Inc.

Pinnacle West Capital Corporation

PNM Resources, Inc.

Portland General Electric Company

Progress Energy, Inc.

Public Service Enterprise Group

Incorporated

SCANA Corporation

Sempra Energy

Southern Union Company

Spectra Energy Corp.

Targa Resources Corp.

TECO Energy, Inc.

UGI Corporation

UIL Holdings Corporation

Vectren Corporation

Westar Energy, Inc.

Wisconsin Energy Corporation

Xcel Energy Inc.

**Table of Contents**

*Executive Compensation Peer Group*

In 2013, 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:

<i>Size Requirements</i>	<i>Industry Requirements</i>
Must be roughly one-third to three times our size in at least <i>two</i> of the following categories:	Must be a traditional natural gas local distribution company (LDC) and must meet at least <i>one</i> of the following:
assets;	includes non-regulated businesses such as storage; pipeline, or construction services;
revenue; or	includes asset management/trading business similar to Sequent; or
market capitalization	conducts business in three or more states

For 2013, the following companies were included in our executive compensation peer group:

- Atmos Energy Corporation
- CenterPoint Energy, Inc.
- Integrus Energy Group, Inc.
- New Jersey Resources Corporation
- NiSource Inc.
- ONEOK, Inc.
- Piedmont Natural Gas Company Inc.
- Sempra Energy
- Southwest Gas Corporation
- UGI Corporation
- Vectren Corporation
- WGL Holdings, Inc.

## Edgar Filing: AGL RESOURCES INC - Form DEF 14A

To perform a more meaningful analysis of Mr. Tumminello's compensation as the president of Sequent, F.W. Cook used the Towers Watson Energy Trading and Marketing Survey, which included data more directly comparable to Mr. Tumminello's position. This survey data included companies having energy trading and marketing operations.



**Table of Contents**

**Compensation Elements and their Purpose**

Our executive compensation program includes the following elements.

<i>Compensation Element</i>	<i>Overview/Objectives</i>
<i>Base Salary</i>	<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>
<i>Annual incentive award<sup>1</sup></i>	<p>Annual cash incentive award is intended to vary as a direct reflection of Company and business unit 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 performance hurdle is required for any payout.</p> <p>Actual awards may range between 0% and 200% of target, based on performance against goals.</p> <p>To achieve a 200% award, performance must meet or exceed the maximum performance levels for all performance measures.</p>
<i>Long-term incentive awards (performance-based restricted stock units and performance share units)</i>	<p>Stock-based incentives reward performance over a multi-year period, link executive's interests to those of shareholders, and encourage retention.</p> <p>Performance measures include EBITDA achievement for performance-based restricted stock units and total shareholder return, relative to the performance of the executive compensation peer group, for performance share units.</p> <p>Vesting schedules serve to encourage retention and further tie executives' compensation to stock price appreciation during the vesting period.</p>
<i>Employee health and welfare and retirement benefit plans</i>	<p>Competitive levels of medical, retirement and income protection, such as life and disability insurance coverage, are provided.</p>

Executives participate in the same programs offered to all of our eligible employees.

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 retirement plans. The retirement plans available to the executives are described in more detail beginning on page 64.

**Table of Contents**

<i>Compensation Element</i>	<i>Overview/Objectives</i>
<i>Severance and other termination payments</i>	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.
<i>Financial planning / tax return preparation</i>	Agreements provide security to executives so that they may focus on the Company and best interests of the shareholders during a transaction or potential transaction. We reimburse executives for up to \$18,000 per year for Company-mandated tax return preparation. We require professional tax return preparation as a means of ensuring 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.

1 Mr. Tumminello's incentive program is described separately on page 53.

**Setting 2013 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 were based on the Compensation Committee's business judgment, informed by the comparative data, professional advice and other considerations, including the individual executive's experience

and performance, internal pay equity and mastery of position responsibilities. As in prior years, target annual and long-term incentive values were set as a percentage of base salary for each of our named executive officers, other than Mr. Somerhalder's target long-term incentive, which was set as a specific amount, and Mr. Tumminello's target annual incentive, which was largely based on a percentage of Sequent's pre-accrual EBIT.

**Fiscal 2013 Target Compensation Elements**

	<b>Base Salary(1)</b>	<b>Target Annual Incentive (% of Base Salary)</b>	<b>Target Long-Term Incentive (% of Base Salary)</b>	<b>Target Total Direct Compensation</b>
John W. Somerhalder II	\$ 946,570	110%	\$ 3,300,000	\$ 5,287,797
Andrew W. Evans	\$ 527,772	65%	160%	\$ 1,715,259
Henry P. Linginfelter	\$ 516,308	65%	160%	\$ 1,678,001
Paul R. Shlanta	\$ 436,061	55%	120%	\$ 1,199,168
Peter I. Tumminello	\$ 355,350	\$ 241,250	75%	\$ 863,113

(1) Reflects a 3% increase in base salaries, which was effective July 1, 2013.

---

## **Table of Contents**

### **Base Salaries**

Each of the named executive officers received a 3% increase in base salary, effective July 1, 2013. In determining base salary, the Compensation Committee considered competitive market base pay levels, as reflected in the competitive data provided by F.W. Cook, its general assessment of the performance of our CEO, and the performance assessments and recommendations for the other named executive officers presented to the Compensation Committee by our CEO. Performance assessments for base salary were subjective and non-formulaic and were not based upon any specific financial criteria.

### **Annual Incentive Awards**

#### *Performance Hurdle*

Our annual incentive program is a subplan of the Company's Omnibus Performance Incentive Plan, which was approved by shareholders in 2011. Each of the named executive officers participates in the annual incentive program, other than Mr. Tumminello who participates in a separate program. Mr. Tumminello's incentive program is described separately on page 53.

For 2013, we continued the practice of utilizing a performance hurdle for our annual incentive program so that awards may be eligible for tax deductibility under Code Section 162(m). Achievement of the performance hurdle allows the Compensation Committee to fund the program up to the maximum payout level established for each award, or to provide for a lesser amount based upon the annual performance goals established by the Compensation Committee, which are described below. Achievement of the performance hurdle is required for any funding of the annual incentive program for the executive officers (under either the corporate component or the business unit component). The performance hurdle approved by the Compensation Committee for 2013 was Plan

EPS of \$2.35. The method of determining Plan EPS is described below under the heading Corporate Measure.

#### *Weighting of Executive Performance Goals*

The performance measures for the 2013 annual incentive awards were derived from our annual operating plan and business strategy. In order to more effectively link pay to Company performance, the Compensation Committee eliminated the individual performance factor in 2013 and approved a uniform weighting of goals for the named executive officers (other than Mr. Tumminello) as follows:

60% corporate performance, measured by Plan EPS

40% business unit performance, measured as described below

#### *1. Corporate Measure*

The annual incentive plan uses a corporate performance measure, which we refer to as Plan EPS. While EPS is a commonly understood metric, the Compensation Committee views EPS determined in accordance with generally accepted accounting principles (GAAP) as not accurately reflecting the value the Company created during a particular year with respect to our wholesale services segment (Sequent). For compensation purposes, we seek to consider and measure the economic value for the period in which it is generated, regardless of the period in which it is reported under GAAP. The method of determining 2013 Plan EPS was approved by the Compensation Committee at the time the performance goals were established.

In accordance with this method, when calculating 2013 Plan EPS, we started with GAAP EPS and subtracted the value created and credited for compensation purposes in 2012 which was expected to be reported in

**Table of Contents**

future periods, including 2013. We then added the value created and credited for compensation purposes in 2013 that will be reported on a GAAP basis in future periods. Historically, this has been accomplished solely by adjusting for the economic value associated with Sequents storage positions. For 2013, the Compensation Committee also required a similar adjustment for the economic value associated with Sequents transportation positions.

At the time performance goals were established, the Compensation Committee also provided that 2013 Plan EPS would exclude the following:

any non-cash losses consisting of asset or goodwill impairment charges, or loss on the sale of assets or subsidiaries;

any transaction costs associated with business combinations and related integration costs;

any changes in estimates or adjustments to actual settlement amounts equal to \$100,000 or more related to legal issues existing at and prior to the closing date of an acquisition; and

any adjustments resulting from changes in GAAP.

For 2013, the Compensation Committee approved a Plan EPS target amount of

\$2.53, which would result in a 100% payout of the corporate component. This target amount:

was consistent with the midpoint of our initial published range of earnings guidance of \$2.60 for 2013;

was expected to be an appropriate target when considering our 2013 business objectives; and

took into consideration the anticipated volatility and treatment of earnings from our wholesale services business unit.

The Compensation Committee also approved a threshold Plan EPS of \$2.43, which must be met before any corporate performance component could be earned. At threshold performance, the corporate component would pay out at 50%.

Below threshold performance, no corporate component would be paid, but as long as the \$2.35 Plan EPS performance hurdle was met, the business unit components would be eligible to pay out based on actual business unit outcomes.

As shown in the table below, actual Plan EPS for 2013 was \$3.07, which is above both the performance hurdle and the threshold goal set for 2013. Accordingly, the named executive officers earned a payout related to the corporate performance component.

**Table of Contents****2013 Corporate Measure Goals and Results**

	<b>Performance Hurdle 162(m) Qualifier</b>	<b>Threshold (50%)</b>	<b>Target (100%)</b>	<b>150%</b>	<b>Maximum (200%)</b>	<b>Actual Plan EPS</b>
GAAP EPS	\$ 2.42	\$ 2.50	\$ 2.60	\$ 2.70	\$ 2.80	\$ 2.64
Reduced for value created by wholesale services in 2012 which was reported on a GAAP basis in 2013(1)	(0.14)	(0.14)	(0.14)	(0.14)	(0.14)	(0.14)
Increased for <i>expected</i> value to be created by wholesale services in 2013 which will be recognized on a GAAP basis in future periods	0.07	0.07	0.07	0.07	0.07	
Increased for <i>actual</i> value created by wholesale services in 2013 which will be recognized on a GAAP basis in future periods						0.53
Increased for loss on equity interest in Sawgrass(2)						0.04
Plan EPS	\$ 2.35	\$ 2.43	\$ 2.53	\$ 2.63	\$ 2.73	\$ 3.07

(1) Used in the calculation of 2012 Plan EPS.

(2) Resulted from decision to not move forward with the Sawgrass storage development project.

## 2. Business Unit Measures

The business unit component of the annual incentive plan uses performance measures and key operating metrics for the following regulated and non-regulated business segments:

<b>Regulated</b>	<b>Non-Regulated</b>
Distribution Operations	Wholesale Services
	Retail Operations
	Midstream Operations
	Cargo Shipping

These performance measures and metrics, which are described in more detail below, accounted for 80% of the AIP business unit component for each of the named executive officers in 2013.

In addition, we also use another measure that we refer to as O&M Expense Less B&I, which relates to a business unit's operating and maintenance expense, including inflationary costs, minus expenses related to benefits and incentives, such as pension, postretirement,

healthcare and other employee benefits as well as expenses related to annual and long-term incentive compensation. O&M Expense Less B&I reflects our ability to manage our cost structure, which is critical to meeting the corporate AIP targets described above. O&M Expense Less B&I accounted for 20% of the AIP business unit component for each of the named executive officers in 2013.

For 2013, the Compensation Committee approved the same weighting of the three

**Table of Contents**

business unit categories (regulated, non-regulated, and O&M Expense Less B&I ) for each of the participating named executive officers, other than for Mr. Linginfelter, our

Executive Vice President, Distribution Operations, whose business unit goals remain focused on the regulated business.

**2013 Business Unit Measure Goals and Weightings**

Name	Regulated Business (Distribution Operations) <sup>1</sup>	Non-Regulated Businesses <sup>2</sup>	O&M Expense Less B&I	Total
John W. Somerhalder II	50%	30%	20%	100%