NICOR INC.
CORPORATE GOVERNANCE GUIDELINES

These revised Corporate Governance Guidelines (the "Guidelines") were adopted by the Board of Directors (the "Board") of Nicor Inc. (the "Company") on February 19, 2010. These Guidelines should be interpreted in the context of all applicable laws and the Company's Articles of Incorporation, Bylaws and other corporate governance documents. These Guidelines are subject to modification from time to time by the Board as the Board may deem appropriate in the best interests of the Company and its shareholders, or as required by the corporate governance rules of the New York Stock Exchange ("NYSE"), and applicable laws and regulations.

A. Board Composition

1. Size

The size of the Board is determined by the Board. The Board has no fewer than eight and no more than thirteen members, in accordance with the Company's Bylaws. The Corporate Governance Committee will periodically review the size of the Board, and these considerations may lead the Corporate Governance Committee to recommend to the Board a size outside this range.

2. Independence

The Board will consist of a minimum of two-thirds of members that at a minimum meet the independence standards of the NYSE and applicable law. The Board believes that it is appropriate that the Chief Executive Officer and/or the President serve on the Board, and that certain circumstances may warrant the addition to the Board of other members of the Company's management. The Corporate Governance Committee will: (i) review annually the relationships that each of the Company's Directors ("Directors") has with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company); and (ii) annually apply the independence standards set forth below to each Director. Following such annual review and application, only those Directors who the Board affirmatively determines have no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company), and who satisfy the independence standards set forth below, will be considered independent Directors.

The Company will disclose, in its annual proxy statement, the names of those Directors that the Board has determined to be independent under the NYSE rules and the basis for the Board's determination that a relationship is not material.

The following standards, established by NYSE, have been adopted by the Board to determine whether a Director of the Company is independent:

i. No Director qualifies as "independent" unless the Board affirmatively determines that the Director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company).

ii. A Director is not independent if:

a. The Director is, or has been within the last five years, an employee of the Company, or an immediate family member is, or has been within the last five years, an executive officer, of the Company.

b. A Director has received, or has an immediate family member who has received, during any twelve-month period within the last three years more than $75,000 in direct compensation from the Company, other than Director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).

c. (A) The Director or an immediate family member is a current partner of a firm that is the Company's internal or external auditor; (B) the Director is a current employee of such a firm; (C) the Director has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or (D) the Director or an immediate family member was within the last five years (but is no longer) a partner or employee of such a firm and personally worked on the Company's audit within that time.

d. The Director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on that company's compensation committee.

e. The Director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1 million, or 2% of such other company's consolidated gross revenues.

f. An "immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home.

Categorical Standards of Independence

The Board has established the following additional categorical standards of independence to assist it in making independence determinations:

Business Relationships. Any payments by the Company for goods or services, or other contractual arrangements to: (i) a business employing, or 10% or more owned by, a Director or an immediate family member; or (ii) an entity for which a Director or an immediate family member serves as a Director or in a similar capacity, must be made in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons. The following relationships are not considered material relationships that would impair a Director's independence:

i. if a Director (or an immediate family member) is an officer or Director of another company that does business with the Company and the annual sales to, or purchases from the Company during such other company's preceding fiscal year are less than 2% of the gross annual revenues of such company; and

ii. if a Director is a partner, officer or employee of an investment bank or consulting firm, the Director (or an immediate family member) does not personally perform any investment banking or consulting services for the Company, and the annual fees paid to the firm by the Company during such firm's preceding fiscal year does not exceed $250,000.

Relationships with Charitable Organizations. A Director's independence will not be considered impaired solely for the reason that a Director or an immediate family member is a Director, officer or trustee of a university, foundation or other not-for-profit organization that receives from the Company and its direct and indirect subsidiaries during any of the prior three fiscal years, contributions in any single fiscal year not exceeding the greater of $1 million, or 2% of such charitable organization's consolidated gross revenues during such charitable organization's fiscal year. (Any automatic matching of employee charitable contributions by the Company or its direct or indirect subsidiaries is not included in the Company's contributions for this purpose.) All contributions by the Company in excess of $100,000 to not-for-profit entities with which a Director is affiliated, will be reported to the Corporate Governance Committee, and may be considered in making independence determinations.

For purposes of these standards, "Company" shall mean Nicor Inc. and its direct and indirect subsidiaries.

3. Retirement Age

The Board's policy is that no person should be designated as a candidate for election or reelection as a Director of the Company at the annual meeting of shareholders for any term after the Director attains age seventy-two. Recognizing the value of continuity of Directors who have experience with the Company, there are no limits on the number of terms in which a Director may hold office.

4. Resignation or Retirement of Officers as Board Members

At the Board's discretion, if the Chief Executive Officer resigns from the position, he or she will resign from the Board at the same time. Similarly, at the Board's discretion, a Director who is also an officer of the Company or any of its subsidiaries will resign from the Board when he or she resigns as an officer.

5. Directors Who Change Their Present Job Responsibilities

Directors are expected to report changes in their business or professional affiliations or responsibilities, including retirement, to the Chairman of the Board and the Chairman of the Corporate Governance Committee.

6. Service on Publicly Traded Companies

Directors who are employed full-time will be limited to serving on a total of no more than five boards of publicly traded companies, while Directors who are retired will be limited to serving on a total of no more than seven boards of publicly traded companies (including the Company's Board).

7. Candidates

The Corporate Governance Committee is responsible for identifying Board candidates, evaluating the suitability of individual candidates and recommending candidates for election. The Board, in approving (and, in the case of vacancies, appointing) such candidates, takes into account many factors, including, at a minimum, size and composition of the Board, the ability to make independent analytical inquiries, general understanding of marketing, finance and other elements relevant to the success of a publicly-traded company in today's business environment, understanding of the Company's business on a technical level, other board service, educational and professional background, the possession of fundamental qualities of intelligence, honesty, good judgment, high ethics and standards of integrity, fairness and responsibility and the diversity of the Board. The Board evaluates each individual in the context of the Board as a whole, with the objective of assembling a group that can best perpetuate the success of the business and represent shareholder interests through the exercise of sound judgment using its diversity of experience in these various areas. The Corporate Governance Committee will not evaluate nominees proposed by shareholders any differently than other nominees to the Board.

8. Selection of New Directors

The entire Board will stand for election by the shareholders of the Company each year at the Company's annual meeting. Each year, at the annual meeting, the Board will recommend a slate of Directors for election by the shareholders. In accordance with the Bylaws of the Company, the Board will also be responsible for filling vacancies or newly-created Directorships on the Board that may occur between annual meetings of shareholders. The Corporate Governance Committee is responsible for identifying, screening and recommending candidates to the entire Board for Board membership.

9. Chairman of the Board and Chief Executive Officer Positions

The Board of Directors views the selection of the Chairman and Chief Executive Officer as one of its most important responsibilities. The Board should remain free to decide whether these positions should be held by the same person. The Board will thus be in a position to determine the best arrangement for the Company and its shareholders, given the changing circumstances of the Company and the composition of the Board.

10. Director Compensation

The Company's executive officers shall not receive additional compensation for their service as Directors. Periodically, senior management of the Company reports to the Compensation Committee regarding the status of the Company's non-management Director compensation. Such report will include consideration of both direct and indirect forms of compensation to the Company's non-management Directors. Following a review of the report, the Compensation Committee will recommend any changes in non-management Director compensation to the Board, which changes will be approved or disapproved by the Board after a full discussion.

B. Responsibilities of the Board of Directors

1. General Responsibilities and Principles of the Board of Directors

The primary responsibility of the Board is to exercise its business judgment to oversee the affairs of the Company for the benefit of the shareholders. The Board is the ultimate decision-making body of the Company except with respect to those matters reserved to the shareholders. The Board selects the senior management team, which is responsible for the day-to-day management of the business. The Board acts as advisor and counselor to senior management and ultimately monitors its performance.

2. Code of Ethics

The Board believes that the Company's Code of Ethics and the associated Ethics Policy reflect the Company's commitment to operating its business with honesty and integrity. The Code of Ethics and the Ethics Policy apply to all Directors, employees and officers, including the Chief Executive Officer and senior financial officers. The Board or a committee of the Board will promptly review any requests for waivers from the Company's Code of Business Conduct and Ethics for violations by Directors and executive officers. The Company will disclose to shareholders the determination to grant any such waiver within four business days of such determination. Disclosure will be made by distributing a press release, providing disclosure on the Company's website or by filing a current report on Form 8-K with the Securities and Exchange Commission.

3. Ownership of Shares of Directors and Officers

Stock ownership guidelines have been established for Directors and officers of the Company. These guidelines were established to align the interests of Directors and officers with those of the shareholders and to strengthen their focus on activities that create shareholder value. The guidelines, stated as a multiple of the Director's annual retainer plus fees or the officer's base salary, are three times for a nonofficer Director and the company's Chief Executive Officer. The Directors and officers are asked to comply with these guidelines through ownership of stock or stock equivalents within five years of becoming a Director or officer.

4. Director Attendance at Board and Committee Meetings

A Director is expected to spend the time and effort necessary to properly discharge his or her responsibilities. Accordingly, a Director is expected to regularly prepare for and attend meetings of the Board and all committees on which the Director sits (including separate meetings of non-management Directors and the independent Directors), with the understanding that, on occasion, a Director may be unable to attend a meeting. A Director who is unable to attend a meeting in person is expected to notify the Chairman of the Board or the Chairman of the appropriate committee in advance of such meeting, and, whenever possible, participate in such meeting via teleconference.

5. Director Attendance at Annual Meeting of Shareholders

Directors are expected to attend the annual meeting of the Company's shareholders.

C. Board Meetings and Materials

1. Agendas for Board and Committee Meetings

The Chairman of the Board shall set the agenda of meetings of the Board of Directors, subject to approval by the Lead Director, and the committee Chairperson shall set the agenda of meetings of the applicable committee. Agendas are distributed to all Board and committee members in advance of the meeting. Directors may suggest additional agenda items and may raise any meeting subjects that are not on the agenda.

2. Advance Review of Materials

Information that is important to the Board's or committee's understanding of the business to be conducted is distributed to the members in advance of each meeting. This allows more meeting time to be spent on discussion and questions from Directors. It is expected that Board members make every effort to attend and actively participate in the discussion of the matters presented.

3. Frequency of Board Meetings

The Board will meet at least four times annually, and such other times as may be determined by the Board. In addition, special meetings may be called from time to time as determined by the needs of the business.

4. Separate Sessions of Independent Directors

The independent Directors will meet at least three times a year in executive session without management Directors, non-independent Directors or management present. The Lead Director will preside over the meetings of the independent Directors.

5. Communications with Directors

The Company discloses, on the Company's website or in its annual proxy statement, one or more methods by which security holders and other interested parties may communicate with the Board, including the Lead Director.

6. Board Access to Management and Independent Advisors

Board members may have access to company management in order to ensure that Directors can ask any questions and receive all information necessary to perform their duties. The Chief Executive Officer is encouraged to invite key members of management to Board meetings on a regular basis so that they may provide additional insight into the items being discussed. The Board believes it is important for Directors to know the Company's key senior officers and welcomes their attendance at and participation in Board meetings. The Board and each of its committees also have the authority to seek legal, financial or other expert advice from a source independent of management at the expense of the Company.

D. Board Committees

1. Standing Committees of the Board

The Board currently has four committees – Audit Committee, Compensation Committee, Corporate Governance Committee and Executive Committee. The Audit, Compensation and Corporate Governance Committees are each composed entirely of independent Directors and their charters are attached to these Guidelines. The Executive Committee consists of at least five Board members and when the Board is not in session exercises all of the authority of the Board in the management of the Company except as limited by the Company's Bylaws.

From time to time, the Board may form a new committee or disband a current committee, depending upon the circumstances. Each committee will perform its duties as assigned by the Board in compliance with the Company's Bylaws and, if applicable, the committee's charter.

The current committees are:

(1) <u>Audit Committee</u>. The Audit Committee consists of at least three members and, among other things, reviews the work of the Company's internal accounting and audit processes and independent auditors. The committee has sole authority to appoint and fire the Company's independent auditors and to approve any significant non-audit relationship with the independent auditors.

(2) <u>Compensation Committee</u>. The Compensation Committee consists of at least three members and, among other things, reviews and approves the Company's goals and objectives relevant to Chief Executive Officer ("CEO") compensation, evaluates the CEO's performance in light of those goals and objectives and either as a committee or together with the other independent directors as directed by the Board, determines and approves compensation levels for the CEO based on the Company's goals and objectives. The committee also reviews and approves the compensation of non-CEO senior executives and such other officers as the committee may determine from time to time. The committee also produces an annual report on executive compensation for inclusion in the Company's proxy statement, in accordance with applicable rules and regulations.

(3) <u>Corporate Governance Committee</u>. The Corporate Governance Committee consists of at least three members and, among other things, is responsible for recommending to the Board individuals to be nominated as Directors and committee members. This committee is also responsible for

developing and recommending to the Board these Guidelines, as well as reviewing and recommending revisions to such Guidelines.

(4) Executive Committee. The Executive Committee consists of at least five Board members and, when the Board is not in session, exercises all of the authority of the Board in the management of the Company, except as limited by the Company's Bylaws.

2. Assignment of Committee Members

The Corporate Governance Committee recommends to the Board, and the Board designates the members and the chairs of the Audit, Compensation, Corporate Governance and Executive Committees.

3. Committee Meetings

Committee meetings are generally scheduled to coincide with regular Board meetings. Each committee, except for the Audit Committee, is generally scheduled to meet at least three times a year. The Audit Committee meetings are typically scheduled to meet as often as the regular Board meets and prior to each earnings announcement. The committee chair may call additional meetings, as needed.

E. Lead Director

The Lead Director shall be designated by the independent Directors as provided for in the Company's Bylaws.

F. Succession Planning

The Corporate Governance Committee will review periodically the succession plans relating to policies and principles for Chief Executive Officer selection and performance review, and, policies regarding succession in the event of an emergency or the retirement of the Chief Executive Officer, and make recommendations to the board of Directors, as appropriate, following such periodic reviews.

G. Director Orientation and Continuing Professional Development

The Company provides new Directors with a Director orientation program to familiarize them with, among other things, the Company's business, strategic plans, significant financial, accounting and management issues, compliance programs, conflicts policies, Code of Business Conduct and Ethics, Guidelines, principal officers, internal auditors and independent auditors and additional training on regulatory compliance and accounting issues. In addition, management makes in-depth presentations to the Board on particular aspects of the Company's business, including financial performance. The Company will provide all Directors with continuing professional development programs through the Company's regular Board meetings and Board meeting materials; periodic Board or Board committee presentations by the Company's officers or other management concerning, among other things, the Company's strategic and business plans, management structure, compliance programs, significant financial, accounting and risk management issues; Board or Board committee presentations by outside parties concerning, among other things, industry issues and other legal, financial and regulatory matters; copies of periodic filings and significant presentations made to investors; and other professional development programs, if appropriate and relevant to the duties of a Company Director, including programs offered by various outside organizations, with appropriate expenses paid by the Company.

H. Annual Performance Evaluation

The Corporate Governance Committee oversees the annual self-evaluation of the Board to determine whether the Board and its committees are functioning effectively and in compliance with these Guidelines. The Corporate Governance Committee solicits views from all of the Directors and reports annually to the Board on the Corporate Governance Committee's assessment of the Board's performance and makes recommendations for improvement. The Board encourages all of the Directors to make suggestions at any time for the improvement of the Board's performance.

I. Periodic Evaluation of Guidelines

Decisions on matters of corporate governance are approved by the Board upon the recommendation of the Corporate Governance Committee, after such consultation with senior management (including the Chief Executive Officer) as the Board and/or the Corporate Governance Committee may deem appropriate.