



## **Corporate Governance Guidelines**

(as amended on November 19, 2009)

The following Corporate Governance Guidelines (“*Guidelines*”) of The Williams Companies, Inc. (the “*Company*”) provide a framework for the governance of the Company. These Guidelines are posted on the Company’s website and also are available in print to any shareholder requesting them.

### **I. Operation of the Board.**

#### **A. The Role of the Board.**

The Board has the responsibility for establishing broad corporate policies and for overseeing the overall performance of the Company and the operation of the Company by the Chief Executive Officer and other officers. The Board focuses on the following core responsibilities:

- Evaluating and approving the Company’s strategic and financial plans and monitoring the implementation and results of those plans;
- Succession planning for management;
- Monitoring the financial performance of the Company;
- Overseeing compliance with laws, regulations and standards;
- Assessing the performance of the Chief Executive Officer and setting compensation accordingly;
- Assessing whether appropriate processes are in place to properly manage the Company;
- Reviewing senior executive officer goals and compensation; and
- Providing direction to the boards of directors of the subsidiaries of the Company.

#### **B. Director Responsibilities.**

The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders in accordance with their duties of care and loyalty.

#### **C. Board Leadership.**

The Chief Executive Officer serves as the Chairman of the Board. The Chief Executive Officer is responsible for the overall management and functioning of the Company.

In addition, the Board has designated an independent director as the Lead Director. The Lead Director’s responsibilities include presiding over executive sessions of the independent

directors, consulting with the Chairman of the Board and Chief Executive Officer regarding scheduling and agendas for Board meetings, overseeing the appropriate flow of information to the Board, chairing Board meetings in the Chairman's absence, acting as a liaison between the independent directors and management, and being available for consultation and communication with shareholders as appropriate.

#### **D. Executive Sessions of Independent Directors.**

At every regularly scheduled Board meeting, the independent directors meet without the Chief Executive Officer or other management present. The Lead Director presides at these sessions. The Lead Director also has the authority to call additional executive sessions as appropriate.

#### **E. Frequency of Meetings; Attendance.**

The Board meets regularly at least six times each year. The Chairman of the Board, the President or any three directors may also call special meetings from time to time as necessary. Directors are expected to attend in person all regularly scheduled Board and committee meetings, as well as the Annual Meeting of Stockholders, and to participate telephonically when they are unable to attend in person.

#### **F. Agenda Items for Board Meetings.**

The Chairman of the Board establishes the Board meeting agenda in consultation with the executive officers of the Company, the Lead Director, and the Corporate Secretary. All directors are also encouraged to suggest agenda topics and are free to raise any subject at a meeting that is not on the agenda for that meeting.

#### **G. Meeting Materials; Preparation; Participation.**

Materials are generally distributed to the directors one week in advance of each regular Board or committee meeting. In some cases, due to the sensitive nature of an issue or if an issue arises without sufficient time to complete distribution of materials within this time frame, materials are presented only at the meeting. Directors are expected to be prepared for meetings by reviewing advance materials and otherwise to participate actively in the Board's or committee's deliberations.

#### **H. Access to Management and Employees.**

The Board at all times has free access to all members of management and the employees of the Company.

#### **I. Access to Non-Management Directors.**

Interested parties wishing to communicate with the non-management directors, individually or as a group, may do so by contacting them in care of the Corporate Secretary or the Lead

Director. The Company publishes on its website a mailing address and email address for this purpose.

#### **J. Chief Executive Officer Evaluation and Compensation.**

Annually, the Board sets the Chief Executive Officer's goals and objectives and then meets in executive session to review the Chief Executive Officer's performance based on those goals and objectives. The session, which is led by the Chairman of the Compensation Committee, is conducted without the Chief Executive Officer present. The results of this performance review are shared with the Chief Executive Officer and are used by the Compensation Committee in establishing the Chief Executive Officer's compensation.

#### **K. Management Succession.**

The Board maintains a process for planning orderly succession for the position of Chief Executive Officer as well as other senior management positions. The Board also has available, on a continuing basis, the Chief Executive Officer's recommendation of a potential successor in the event of unexpected disability.

#### **L. Strategic Planning.**

The Board reviews the strategic and financial plans of the Company annually. The Board receives frequent updates from the Chief Executive Officer regarding the implementation of the strategic plans.

### **II. Board Structure.**

#### **A. Independent Directors.**

It is the policy of the Company that all members of the Board, except the Chief Executive Officer, shall be "independent" directors as defined by the rules of the New York Stock Exchange and the Securities and Exchange Commission. Annually, the Board, through the Nominating and Governance Committee, reviews the independence of the directors and the Board affirmatively makes a determination as to the independence of each director. The Board has adopted the standards set forth in Attachment A to these Guidelines to assist it in assessing the independence of directors.

#### **B. Classes of Directors; Size of the Board; Term.**

The Board is divided into three classes of directors of as nearly equal size as possible. The total number of directors is determined by resolution adopted by the affirmative vote of a majority of the Board, except that the total number of directors may not be less than five nor more than 17. The term of each class of directors is normally three years, and the term of one class expires each year in rotation.

### **C. Director Resignation Policy.**

In accordance with the Company's By-laws, if none of our shareholders provides the Company notice of an intention to nominate one or more candidates in a Director election, or if our shareholders have withdrawn all such nominations by the day before the Company mails its notice of meeting to our shareholders, a nominee must receive more votes cast "for" than "against" his or her election or re-election in order to be elected or re-elected to the Board. The Board shall nominate for election or re-election as Director only candidates who agree to tender, promptly following the annual meeting at which they are elected or re-elected as Director, irrevocable resignations that will be effective upon (i) the failure to receive the required vote at any annual meeting at which they face re-election, and (ii) Board acceptance of such resignation. In addition, the Board shall fill Director vacancies and new directorships only with candidates who agree to tender, promptly following their appointment to the Board, the same form of resignation tendered by other Directors in accordance with this Board practice.

If an incumbent Director fails to receive the required vote for re-election, the Nominating and Governance Committee will act on an expedited basis to determine whether to accept the Director's tendered resignation and will submit such recommendation for consideration by the Board. The Board will act on the Nominating and Governance Committee's recommendation and publicly disclose its decision within 90 days from the date of the certification of the election results. The Board expects the Director whose tendered resignation is under consideration to abstain from participating in any decision regarding that tendered resignation. The Nominating and Governance Committee and the Board may consider any factors they deem relevant in deciding whether to accept a Director's tendered resignation. If the Board accepts a Director's tendered resignation pursuant to this process, the Nominating and Governance Committee shall recommend to the Board whether to fill such vacancy or reduce the size of the Board. If, for any reason, the Board is not elected at an annual meeting, they may be elected thereafter at a special meeting of the shareholders called for that purpose in the manner provided in the By-laws.

### **D. Selection of Directors; Board Membership Criteria.**

The Nominating and Governance Committee is responsible for developing and recommending to the Board qualifications for assessing candidates for Board membership, identifying the Company's candidates for Board membership, and development of a Board succession plan. Qualifications sought by the Nominating and Governance Committee in independent director candidates include the following:

1. An understanding of business and financial affairs and the complexities of a business organization. Although a career in business is not essential, the nominee should have a proven record of competence and accomplishments through leadership in industry, education, the professions or government, and should be willing to maintain a committed relationship with the Company as a director.
2. A genuine interest in representing all of the shareholders and the interest of the Company overall.

3. A willingness and ability to spend the necessary time to function effectively as a director.
4. An open-minded approach to matters and the resolve to independently analyze matters presented for consideration.
5. A reputation for honesty and integrity beyond question.
6. Independence as defined by the New York Stock Exchange, and qualifications otherwise required in accordance with applicable law or regulation.

#### **E. Outside Board Service.**

Directors should limit their service as directors on publicly held company and investment company boards to no more than five (including the Company's Board). Service on the boards of subsidiary companies, non-profit organizations and non-public for-profit organizations is not included in this calculation. Moreover, if a director sits on several mutual fund boards within the same fund family, it will count as one board for purposes of this calculation.

Directors should advise the chairman of the Nominating and Governance Committee in advance of accepting an invitation to serve on another for-profit board. The Committee reviews at least annually directorships (or positions on similar governing bodies) held by directors and executive officers. The Chief Executive Officer approves in advance all such commitments of executive officers, and the Nominating and Governance Committee approves in advance all such commitments of the Chief Executive Officer.

#### **F. Material Change in Status.**

The Board understands and expects that a director who has a material change in his or her status including a change in his or her principal business association will promptly offer his or her resignation from the Board in order to provide the Nominating and Governance Committee the opportunity to assess each situation based on the individual circumstances and make a recommendation to the Board as to whether to accept the resignation. The Board is free to accept or reject the resignation.

#### **G. Compensation of Board Members.**

The Nominating and Governance Committee annually reviews and recommends to the Board the appropriate compensation for non-management directors. The committee's goal is to fairly and reasonably compensate the directors commensurate with their duties and responsibilities. A combination of cash and Company stock is used to compensate directors. The Nominating and Governance Committee periodically reviews the status of the Company's Board compensation in relation to other comparable U.S. companies to assess whether compensation is competitive to attract and retain the most qualified candidates.

## **H. Stock Ownership Guidelines.**

It is the recommendation of the Board that all directors, consistent with their responsibilities to the shareholders of the Company as a whole, hold an equity interest in the Company. Accordingly, each non-management director should acquire and hold Company stock with a value (measured at the time the stock is acquired) equivalent to three times the annual director retainer (not including committee and/or committee chair fees) paid to that director in the Company's most recently completed full fiscal year. A non-management director should satisfy this standard within five years from the date the director joins the Board or the adoption of this policy. Once the requirement is met, the individual is considered to be in compliance if the director continues to hold the lesser of the value multiple or the number of shares necessary to fulfill the requirement on that date. Shares owned outright and deferred shares count as owned, but option equity does not count as owned.

It is the recommendation of the Board that all executive officers, consistent with their responsibilities to the shareholders of the Company as a whole, hold an equity interest in the Company. Accordingly, the Chief Executive Officer should acquire and hold Company stock with a value (measured at the time the stock is acquired) equivalent to five years' base salary, and each other executive officer of the Company should acquire and hold Company stock with a value (measured at the time the stock is acquired) equivalent to three years' base salary. Executive officers should satisfy this standard within five years from the date of becoming an executive officer or the adoption of this policy. Once the requirement is met, the individual is considered to be in compliance if the executive continues to hold the lesser of the value multiple or the number of shares necessary to fulfill the requirement on that date. Shares owned outright, deferred and performance-based deferred shares count as owned, but option equity does not count as owned.

The Compensation Committee monitors compliance by senior executive officers with the Company's stock ownership guidelines. The Nominating and Governance Committee monitors compliance by directors with the Company's stock ownership guidelines.

## **I. Director Retirement.**

The normal retirement date for a Director shall be at the first Annual Meeting of Stockholders of the Company following the Director's 75th birthday, unless the Nominating and Governance Committee has voted, on an annual basis, to waive or to continue to waive, the mandatory retirement age of such person as a Director.

## **III. Committees of the Board.**

The Board has established standing committees to oversee designated matters. The committees of the Board are Audit, Nominating and Governance, Finance and Compensation. The Board annually elects from its members, as recommended by the Nominating and Governance Committee, the members and the chairman of each committee. All committee members are independent directors as determined in accordance with New York Stock Exchange rules. In addition, directors who serve on the Audit Committee meet additional, heightened independence criteria applicable to audit committee members under New York Stock Exchange

rules. Each committee has a written charter setting forth the duties, authority and responsibilities of the committee. All committees report regularly to the full Board with respect to their activities.

#### **IV. Other Board Practices.**

##### **A. Director Orientation; Continuing Education.**

New directors participate in an orientation program upon joining the Board. All directors are given the opportunity and encouraged to participate in continuing education programs.

##### **B. Evaluations.**

Annually, the Nominating and Governance Committee evaluates the performance of the Board to assess the Board's effectiveness. Each of the Audit, Nominating and Governance, Compensation and Finance Committees conducts a self-evaluation annually. The Nominating and Governance Committee evaluates each director's individual performance on an annual basis.

##### **C. Access to Outside Advisors.**

The Board and its committees, consistent with the provisions of their respective charters, have the right to retain outside advisors as they determine necessary to carry out their duties.

##### **D. Review of Corporate Governance Guidelines.**

These Guidelines are reviewed at least annually by the Nominating and Governance Committee, which recommends changes to the Board as necessary.

## Attachment A

### A. Director Independence

An “independent” director is a director whom the Board of Directors (the “*Board*”) has determined has no material relationship with The Williams Companies, Inc. or any of its consolidated subsidiaries (collectively, “*Williams*”), either directly, or as a partner, shareholder or officer of an organization that has a relationship with Williams.

A relationship is “material” if, in the judgment of the Board of Directors, the relationship would interfere with the exercise of the director’s independent judgment. The Board of Directors has established standards for determining when a relationship between a director (or an organization with which a director is associated) and Williams is sufficiently material that it would be viewed as interfering with the director’s independent judgment. In making an independence determination, the Board will consider all relevant facts and circumstances and will apply the standards set forth below. Under these standards:

1. A director is not independent if the director, or a member of the director’s immediate family, has received, during any 12-month period within the last three years, more than \$120,000 in direct compensation from Williams, other than Board fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service). Compensation received by an immediate family member for service as an employee (other than an executive officer) of Williams will not be considered for purposes of this standard.
2. A director is not independent if the director is an employee, or has an immediate family member who is an executive officer, of another company that has made payments to, or received payments from, Williams 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 the other company’s consolidated gross annual revenues.
3. A director is not independent if the director or an immediate family member of the director is an executive officer of a company which is indebted to Williams, or to which Williams is indebted, and the total amount of either company’s indebtedness to the other is at least 2% of the total consolidated assets of such company as of the end of the last completed fiscal year.
4. A director is not independent if the director is, or has been within the last three years, an employee of Williams, or an immediate family member of the director is, or has been within the last three years, an executive officer of Williams.
5. A director is not independent if: (a) the director (i) is a current partner or employee of Williams’s internal or external auditor, or (ii) was within the last three years a partner or employee of Williams’s internal or external auditor and personally worked on Williams’ audit within that time; or (b) an immediate family member of the director (i) is a current partner of Williams’s internal or external auditor; (ii) is a current employee of Williams’s internal or external auditor and personally works on Williams’s audit, or (iii) was within

the last three years a partner or employee of Williams’s internal or external auditor and personally worked on Williams’ audit within that time.

6. A director is not independent if 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 Williams’ present executive officers serves or served on the compensation committee at the same time.
7. A director is not independent if the Nominating and Governance Committee determines that a discretionary contribution made by Williams or The Williams Companies Foundation, Inc. to a non-profit organization with which a director, or a director’s spouse, has a relationship, impacts the director’s independence.

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An “immediate family” member includes a director’s spouse, parents, step-parents, children, step-children, siblings, mother and father-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than a domestic employee) who shares the director’s home.

**B. Additional Requirements for Audit Committee Members**

A director is not considered independent for purposes of serving on the Audit Committee, and may not serve on the Audit Committee, if:

1. The director accepts, directly or indirectly, from The Williams Companies, Inc. or any of its subsidiaries (collectively, “*Williams*”), any consulting, advisory, or other compensatory fee, other than Board and committee fees and fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with Williams (provided that such compensation is not contingent in any way on continued service). “Indirect” acceptance of compensatory fees includes payments to a spouse, minor child or stepchild of, or child or stepchild sharing a home with, the director.

or

2. The director is:
  - a partner or a member;
  - an officer occupying a position comparable to that of a partner or member (such as a managing director);
  - an executive officer; or
  - in a position similar to any of the foregoing (excluding limited partners, non-managing members and others who have no active role in providing services to the entity)

at an entity that receives payments from Williams for providing accounting, consulting, legal, investment banking, or financial advisory services to Williams.

or

3. The director is an affiliated person of Williams, as determined in accordance with Securities and Exchange Commission rules.