

# **SOUTHERN COMPANY**

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## **Corporate Governance Guidelines**

The Board of Directors of Southern Company (the “Company”) sets high standards for the Company’s employees, officers and directors. Implicit in this philosophy is the importance of sound corporate governance. It is the duty of the Board of Directors to serve as a prudent fiduciary for stockholders and to oversee the management of the Company’s business. To fulfill its responsibilities and to discharge its duty, the Board of Directors follows the procedures and standards that are set forth in these guidelines. The Governance Committee reviews these guidelines at least annually and recommends appropriate changes to the Board of Directors.

### **1. Size of the Board**

The Board, based on the recommendation of the Governance Committee, evaluates the composition and needs of the Board at least annually to determine its proper membership and size, with a minimum of three directors as specified in the Company’s By-Laws.

### **2. Director Independence Requirements**

It is the Company’s policy that there be a substantial majority of independent directors on the Board and that the Board’s Audit, Governance, Finance, Compensation and Management Succession and Nuclear/Operations Committees be comprised entirely of independent directors.

#### **Board Independence**

The Board, based on the recommendation of the Governance Committee, annually determines whether any director has a material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company), consistent with the definition of an “independent” director under the listing standards of the New York Stock Exchange (the “NYSE”). The Board makes its affirmative determination on independence subject to the qualifications prescribed under the listing standards of the NYSE, the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC Rules”), including, but not limited to, the Securities Exchange Act of 1934, as amended, and any other law, rule or regulation of any other regulatory body applicable to the Company. In making these determinations, the Board considers all relevant facts and applies the following standards.

A director is not independent if:

- a. The director is, or has been within the last three years, an employee or an executive officer of the Company, or the director's immediate family member is, or has been within the last three years, an executive officer of the Company. Employment as an interim Chairman or Chief Executive Officer or other executive officer shall not disqualify a director from being considered independent following such employment.
- b. The director has received, or the director's immediate family member has received, during any twelve-month period within the last three years, more than \$120,000 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. Compensation received by a director for former service as an interim Chairman or Chief Executive Officer or other executive officer is not considered. Compensation received by an immediate family member for service as an employee (other than an executive officer) of the Company is not considered.
- c. The director is a current partner or employee of a firm that is the Company's internal or external auditor. The director has an immediate family member who is a current partner of such a firm. The director has an immediate family member who is a current employee of such a firm and personally works on the Company's audit. The director or an immediate family member was (within the last three years) a partner or employee of such a firm and personally worked on the Company's audit within that time.
- d. The director or the director's immediate family member is, or has been within the last three years, employed as an executive officer of a company where any of the Company's present executive officers at the same time serves or served on that company's compensation committee.
- e. A company for which the director currently serves as an executive officer or an employee, or a company for which the director's immediate family member currently serves as an executive officer, has made payments to or has 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 \$1,000,000 or 2% of that company's consolidated gross revenues.

- f. The director or the director's spouse serves as an executive officer of a charitable organization to which the Company or any of the Company's foundations makes, or in the past three years has made, contributions that, in any single fiscal year, exceeded the greater of \$1,000,000 or 2% of the organization's consolidated gross revenues.

An "immediate family member" includes a director's spouse, parents, 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.

The Chief Executive Officer of the Company may not serve as a director of a public company that has an officer serving on the Board of the Company.

The independent directors, meeting the above criteria, determine whether a director, having a relationship with the Company that is not described in the above criteria, is independent.

### **Additional Independence Requirements for Membership on the Audit Committee and the Compensation and Management Succession Committee**

In addition to meeting the general director independence requirements, each director who is a member of the Audit Committee or the Compensation and Management Succession Committee must satisfy additional independence standards set forth in the listing standards of the NYSE, the SEC Rules and the Internal Revenue Code of 1986, as amended, as applicable.

### **3. Term Limits**

The Board has not established term limits on Board membership. The Board values the participation of directors who have developed, over a period of time, an increased understanding of the governance of the Company and the issues confronting it.

### **4. Retirement and Resignation from Board**

Management directors must retire upon reaching the age of 65. Any management director who ceases to hold an executive position with the Company must resign from the Board at the time the position is no longer held. A past management director who has retired or resigned

may not be elected an advisory director or director emeritus upon leaving the Board.

Non-management directors may not stand for re-election after reaching age 72.

A non-management director must tender a resignation from the Board when a change occurs in the director's principal business association. In such case, the Board has the discretion of accepting the resignation or requesting that the director continue to serve on the Board.

## 5. Stock Ownership Requirements

Non-management directors are required to beneficially own, within five years of their initial election to the Board, Company common stock equal to at least five times the annual director retainer fee. A portion of the compensation for non-management directors is paid with shares of the Company's common stock. This annual equity grant received as a part of the annual compensation for non-management directors is required to be deferred in shares of the Company's common stock until Board membership ends. In addition, a director may elect to defer up to 100% of the director's remaining Board compensation in the form of common stock until Board membership ends.

## 6. Selection of Director Candidates

The Governance Committee identifies, evaluates and recommends to the full Board director candidates. While the Governance Committee expects to identify from its own resources qualified nominees, stockholders may submit recommendations as set forth in the latest proxy statement. Any stockholder recommendation is reviewed in the same manner as candidates identified by the Governance Committee. If additional information regarding a stockholder-recommended candidate is needed, the Company's Corporate Secretary will contact the stockholder at the direction of the Governance Committee.

## 7. Director Qualifications

In considering director candidates, the Governance Committee considers the following personal and skill qualifications:

### **Personal Qualifications**

- Highest degree of integrity and ethical standards
- Independence from management
- Ability to provide sound and informed judgment
- History of achievement that reflects superior standards

- Willingness to commit sufficient time
- Financial literacy
- Number of other board memberships
- Genuine interest in the Company and a recognition that, as a member of the Board, one is accountable to the stockholders of the Company, not to any particular interest group.

### **Skill Qualifications**

The Board as a whole should be diverse and have collective knowledge and experience in accounting, finance, leadership, business operations, risk management, corporate governance and the Company's industry. An individual director's background should be complementary to the Company's needs.

### **8. Service on Other Boards and Audit Committees**

- No employed director may serve on more than two public company boards (not including the Company's Board or the director's employing company board), unless otherwise approved by the Governance Committee.
- No director may serve on more than five public company boards (including the Company's Board), unless otherwise approved by the Governance Committee.
- The President and Chief Executive Officer of the Company will not serve on other public company boards without consulting with the Board.
- Interlocking directorates are allowed only in conformance with applicable laws and regulations.
- No director who is a member of the Company's Audit Committee may serve on the audit committees of more than three public companies (including the Company's Audit Committee).

Current directors must notify the Chief Executive Officer and the Chair of the Governance Committee when considering a request for service on another public company board.

### **9. Election of Directors – Majority Vote**

As stated in the Company's By-Laws, each director shall be elected by the vote of the majority of the votes cast with respect to the director at any meeting for the election of directors at which a quorum is present. However, if the number of nominees exceeds the number of directors to be elected, the directors shall be elected by a plurality vote.

As a condition to being named a nominee for election as a director, each nominee who fails to receive the affirmative vote of a majority of the votes

cast in an uncontested election at a meeting of the stockholders shall promptly tender an irrevocable letter of resignation.

Such resignation will be considered by the Board. The Governance Committee shall make a recommendation to the Board regarding whether to accept or reject the resignation. Following the Governance Committee's recommendation, the Board will either accept or reject such resignation within 90 days from the certification of the election results. The Company will promptly disclose in any required regulatory filings the decision of the Board to reject a director's tendered resignation.

Any director tendering his or her resignation to the Board shall abstain from participating in deliberations or voting regarding such resignation.

## 10. Board and Director Responsibilities

The Board is the highest decision-making body for the Company. Its role is to maximize long-term stockholder value. It appoints the senior management team, which is charged with the conduct of the Company's business. The Board acts as advisor and counselor to senior management and ultimately oversees and monitors its performance.

Directors of the Company are expected to exercise their business judgment to act in a legal and ethical manner which they reasonably believe to be in the best interest of the Company and its stockholders.

## 11. Strategic Planning

The Board reviews the Company's strategic plan at least annually and monitors implementation of the strategic plan throughout the year.

## 12. Board Leadership

The Board is responsible for the election of a Chairman and Chief Executive Officer. The Board has no policy with respect to the separation of the roles of the Chairman and the Chief Executive Officer. The Board believes that it is in the best interests of the Company for the Board periodically to evaluate and make a determination regarding whether or not to separate the roles of the Chairman and the Chief Executive Officer based upon the circumstances. The Board believes that presently it is in the best interests of the Company for a single person to serve as both the Chairman and the Chief Executive Officer. In addition, the independent directors have appointed an independent director to serve as the lead independent director.

The lead independent director is selected biennially by and from the independent directors. The name and term of the lead independent

director, as well as the process by which the lead independent director is chosen, is set forth in the Company's proxy statement. The lead independent director chairs Board meetings in the absence of the Chairman of the Board, including executive sessions of non-management directors, has the authority to call executive sessions of the non-management directors, and acts as the principal liaison between the Chairman of the Board and the independent directors; provided, however, that each director will also be afforded direct and complete access to the Chairman of the Board at any time as such director deems necessary or appropriate. The lead independent director meets regularly with the Chairman of the Board and also serves as the primary contact director for stockholders and other interested parties. The lead independent director is also involved in communicating any sensitive issues to the directors. In addition, the lead independent director approves information sent to the Board, and approves the agenda and schedule for Board meetings to provide that there is sufficient time for discussion of all agenda items.

### 13. Board and Committee Attendance

Directors are expected to attend all meetings of the Board and the Committees on which they serve and the annual meeting of stockholders. If a director's absence is unavoidable, the director should communicate such absence to the Chief Executive Officer or to the Corporate Secretary prior to the meeting.

The Executive Vice President and Chief Operating Officer, the Executive Vice President and Chief Financial Officer, the Executive Vice President – Southern Company Services President, the Executive Vice President – External Affairs, the Executive Vice President and General Counsel and the Corporate Secretary of the Company and/or other management members serving in similar capacities regularly attend Board meetings. Other management members attend as required to provide information to the Board or upon invitation by the Board or the Chief Executive Officer.

### 14. Selection of Agenda Items for Board Meetings

The Chairman of the Board and the Corporate Secretary, with the approval of the lead independent director and input from other management members and solicitation of items from non-management directors, establishes the agenda for Board meetings. Directors are also free to raise subjects at a Board meeting that are not on the agenda for that meeting.

## 15. Advance Distribution and Review of Meeting Materials

Materials important in the understanding of the business to be conducted at Board and Committee meetings are distributed to directors in advance of the meetings. Directors are expected to review this material prior to the meetings. In some cases, due to timing or the sensitive nature of an issue, materials are presented only at a Board or Committee meeting.

## 16. Board Access to Management

Each director has complete access to management.

## 17. Board Access to Advisors

The Board may engage the services of advisors at any time as it deems appropriate. The Board has authority to approve the fees and expenses of such advisors for payment by the Company.

## 18. Executive Sessions of Independent Directors

Independent directors shall meet in executive session, without management, at least quarterly, and at other times as deemed appropriate by the lead independent director or two or more other independent directors. The lead independent director chairs these executive sessions.

## 19. Board Compensation

It is the policy of the Company to compensate fairly non-employee members of the Board. The Governance Committee at least annually reviews the level and form of director compensation and recommends any changes to the Board for approval to see that the level of compensation is reasonable and competitive for an entity of the Company's size and scope. Management directors do not receive compensation for service on the Board.

## 20. Director Orientation and Education

The Governance Committee oversees the development and delivery of a formal orientation program for new directors which includes sessions with key senior management. The Governance Committee also sees that appropriate continuing education opportunities are identified and communicated. It is recommended that directors participate in these or other continuing education opportunities of their own choosing.



## 21. Assessing the Board's Performance

The Board conducts an annual self-evaluation to assess its performance. The ability of individual directors to contribute to the Board is considered in connection with the annual re-nomination process.

The Governance Committee is responsible for coordinating with the Board the annual self-evaluation of the Board's performance.

## 22. Code of Ethics

The policy of the Company is that there be adherence to the highest form of ethical business conduct. To this end, the Audit Committee is responsible for seeing that a code of business conduct and ethics (the "Code") is in place for directors, officers – including the Chief Executive Officer and the senior financial officers – and employees. The Audit Committee receives reports from the Company's Chief Compliance Officer pursuant to the monitoring of compliance with the provisions of the Code and reports to the full Board regarding compliance as necessary. The Audit Committee also receives reports on the Company's programs for the receipt, retention and response to complaints and concerns submitted by employees and others regarding compliance matters, including but not limited to accounting, internal accounting controls and auditing matters.

## 23. Confidential Information

"Confidential information" is all non-public information provided to or obtained by a director by reason of his or her position on the Board. It includes, but is not limited to, non-public information that might be of use to competitors or harmful to the Company, its affiliates or its affiliates' customers if disclosed. Some examples of confidential information are as follows:

- Non-public information about the Company's or its affiliates' financial condition, prospects or plans, strategy, marketing and sales programs, research and development, mergers and acquisitions and divestitures;
- Non-public information concerning possible transactions with other companies or information about the Company's or its affiliates' customers, suppliers, vendors or partners, which the Company is, or its affiliates are, obligated to maintain as confidential; and
- Non-public information about discussions and deliberations relating to business issues and decisions between employees, officers and directors.

Directors owe a duty of confidentiality as part of their duty of loyalty to the Company. Directors are required to protect and hold confidential all non-public information obtained due to their positions as directors on the Board. Unless expressly authorized by the Board or as otherwise required by law, directors shall not disclose confidential information to any other party (either during or after service as a director of the Company) or misuse confidential information in any other manner (including for the director's personal benefit or to benefit persons or entities outside the Company).

#### 24. Board Committees

The Board establishes Committees as needed to facilitate and assist in the execution of its responsibilities. There are currently five standing Committees of the Board as follows:

- Audit Committee
- Compensation and Management Succession Committee
- Finance Committee
- Governance Committee
- Nuclear/Operations Committee

Each Committee has a written charter that has been reviewed by the Governance Committee, approved by the full Board and published on the Company's website. Each Committee has the authority to retain the services of advisors and experts as it deems necessary or appropriate with respect to matters within its purview. The expenses associated with such services are to be approved by the applicable Committee and paid by the Company. Each Committee reports its activities, findings and recommendations to the full Board.

#### 25. Assignment and Rotation of Committee Members

The Governance Committee is responsible for recommending to the full Board Committee membership and Committee Chair assignments. Assignments are based upon the needs of the Board and the expertise of the members. A fixed rotation policy for Committee membership and Chairs is not used.

#### 26. Frequency and Length of Committee Meetings

Frequency of Committee meetings is determined by Committee Chairs upon consultation with management. The length of meetings is a function of the agenda and discussion requirements of Committee members.

## 27. Committee Agendas

Agendas are determined upon discussion between Committee members and consultation with management.

## 28. Assessing Committee Performance

The charters of the Audit, Compensation and Management Succession, Finance, Governance and Nuclear/Operations Committees include a requirement that a self-evaluation of performance be done at least annually. The Governance Committee coordinates these evaluations, and the results are reported to the full Board.

## 29. Chief Executive Officer Performance Review

The Compensation and Management Succession Committee evaluates the performance of the Chief Executive Officer at least annually. The evaluation is discussed with, and feedback is sought from, independent members of the Board while meeting in executive session. The Chair of the Compensation and Management Succession Committee then discusses the evaluation with the Chief Executive Officer.

The evaluation is based upon objective criteria including the performance of the Company and the Chief Executive Officer's achievement of goals previously approved by the Compensation and Management Succession Committee. The evaluation is used by the Compensation and Management Succession Committee to determine the Chief Executive Officer's compensation to be recommended for approval by the independent directors.

## 30. Succession Planning and Management Development

The Board plans for the succession to the position of the Chief Executive Officer. To assist the Board, the Chief Executive Officer reviews a succession plan for senior management (including the Chief Executive Officer) with the Compensation and Management Succession Committee and with the full Board at least annually. Included in the succession plan report is a review of management development.

The Board has approved an emergency succession plan for the Chief Executive Officer in the event that individual is unable or unavailable to perform the duties of the office.

## 31. Communication on Behalf of the Company

The Chief Executive Officer or his designee is responsible for communicating on behalf of the Company with investors, customers,

news media and others. Non-management board members should not speak individually for the Company.

### 32. Stockholder Communications

Stockholders may direct communications to the Board or any individual director by contacting the Corporate Secretary of the Company, at 30 Ivan Allen Jr. Blvd., Atlanta, Georgia 30308. There is also an email contact link on the Company's Corporate Governance website for initiating communications with the Board or an individual director. Communications, except commercial solicitations, are forwarded to the Board or an individual director as directed by the stockholder.

### 33. Political Contributions

The Board reviews the Company's political contributions and its policies and procedures regarding political contributions. Any corporate political contributions or independent expenditures made by the Company in connection with elections for public office, as well as any payments made by the Company to other organizations that are designated for their use in making political contributions or independent expenditures, are reviewed at least annually with the Board. Any corporate contributions to ballot initiative campaign committees also are reviewed annually with the Board.

Last amended by The Southern Company Board of Directors on October 20, 2014.