

UGI CORP /PA/
Form DEF 14A
January 03, 2006
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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
(Amendment No. __)

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 §240.14a-12

UGI CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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.

(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 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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- 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.

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(1) Amount Previously Paid:

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UGI

CORPORATION

x Notice of February 22, 2006
Annual Meeting and
Proxy Statement _____

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BOX 858 VALLEY FORGE, PA 19482 610-337-1000

UGI

CORPORATION

LON R. GREENBERG

Chairman and

Chief Executive Officer

January 3, 2006

Dear Shareholder,

On behalf of our entire Board of Directors, I cordially invite you to attend our Annual Meeting of Shareholders on Wednesday, February 22, 2006. At the meeting, we will review UGI's performance for Fiscal 2005 and our expectations for the future.

A notice of the meeting and Proxy Statement follow. You will also find enclosed your proxy voting card and our 2005 Annual Report. I would like to take this opportunity to remind you that your vote is important. Please read the proxy materials and take a moment now to vote via the Internet, by telephone or by using the enclosed proxy voting card and returning it in the postage-paid envelope we have provided.

I look forward to seeing you on February 22nd and addressing your questions and comments.

Sincerely,

Lon R. Greenberg

460 NORTH GULPH ROAD, KING OF PRUSSIA, PA 19406

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BOX 858 VALLEY FORGE, PA 19482 610-337-1000

UGI

CORPORATION

January 3, 2006

NOTICE OF

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of UGI Corporation will be held on Wednesday, February 22, 2006, at 10:00 a.m., at The Desmond Hotel and Conference Center, Ballrooms A and B, One Liberty Boulevard, Malvern, Pennsylvania. Directions to The Desmond Conference Center are included in our Proxy Statement. Shareholders will consider and take action on the following matters:

1. Election of nine directors to serve until the next annual meeting of Shareholders;
2. Ratification of the appointment of PricewaterhouseCoopers LLP as independent registered public accountants for Fiscal 2006; and
3. Transaction of any other business that is properly raised at the meeting.

Margaret M. Calabrese
Corporate Secretary

460 NORTH GULPH ROAD, KING OF PRUSSIA, PA 19406

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UGI CORPORATION

460 North Gulph Road

King of Prussia, Pennsylvania 19406

PROXY STATEMENT

ANNUAL MEETING INFORMATION

This proxy statement contains information related to the Annual Meeting of Shareholders of UGI Corporation to be held on Wednesday, February 22, 2006, beginning at 10:00 a.m., at The Desmond Hotel and Conference Center, One Liberty Boulevard, Malvern, Pennsylvania, and at any postponements or adjournments thereof. Directions to The Desmond Conference Center appear at the back of this booklet. This proxy statement was prepared under the direction of the Company's Board of Directors to solicit your proxy for use at the Annual Meeting. It will be mailed to Shareholders on or about January 3, 2006.

Who is entitled to vote?

Shareholders of record of our Common Stock at the close of business on December 9, 2005 are entitled to vote at the Annual Meeting, or any postponement or adjournment of the meeting scheduled in accordance with Pennsylvania law. Each Shareholder has one vote per Share on all matters to be voted on. On December 9, 2005, there were 104,974,454 Shares of Common Stock outstanding.

What am I voting on?

You will be asked to elect nine nominees to serve on the Company's Board of Directors and to ratify the appointment of our independent registered public accountants for Fiscal 2006. The Board of Directors is not aware of any other matters to be presented for action at the meeting.

How does the Board of Directors

recommend I vote on the proposals?

The Board Of Directors Recommends A Vote **FOR** The Election Of Each Of The Nominees For Director, And **FOR** The Ratification Of The Appointment Of PricewaterhouseCoopers LLP As Our Independent Registered Public Accountants For Fiscal 2006.

What does it mean if I get more than one proxy card?

If your Shares are registered differently and are in more than one account, you will receive more than one card. Please follow the directions for voting on each of the proxy cards you receive to ensure that all of your Shares are voted.

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How do I vote?

You may vote in one of three ways:

Vote Over the Internet

If your Shares are held in the name of a broker, bank or other nominee: Vote your Shares over the Internet by following the voting instructions provided on the voting instruction form that you receive from such broker, bank or other nominee.

If your Shares are registered in your name: Vote your Shares over the Internet by accessing the Mellon Investor Services LLC Proxy Vote Online website at:

<http://www.proxyvoting.com/ugi>

and following the on-screen instructions. You will need the control number that appears on your proxy card when you access the web page.

Vote By Telephone

If your Shares are held in the name of a broker, bank or other nominee: Vote your Shares over the telephone by following the telephone voting instructions, if any, provided on the proxy card you receive from such broker, bank or other nominee.

If your Shares are registered in your name: Vote your Shares over the telephone by accessing the telephone voting system toll-free at 1-866-540-5760 and following the telephone voting instructions. The telephone instructions will lead you through the voting process. You will need the control number that appears on your proxy card when you call.

Internet and telephone voting will provide proxy holders the same authority to vote your Shares as if you returned your proxy card by mail. In addition, Internet and telephone voting will reduce the Company's proxy-related first-class postage expenses.

Vote by Returning Your Proxy Card

You may vote by signing and returning your proxy card. The proxy holders will vote your Shares according to your directions. If you sign and return your proxy card without specifying choices, your Shares will be voted as recommended by the Board of Directors.

If You Change Your Mind After Voting

You can revoke your proxy at any time before it is voted. Proxies are voted at the Annual Meeting. If you are a Shareholder of record, you can write to the Company's Corporate Secretary at our principal offices, 460 North Gulph Road, King of Prussia, Pennsylvania 19406,

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stating that you wish to revoke your proxy and that you need another proxy card. If you hold your Shares through a broker, bank or other nominee, you can revoke your proxy by contacting the broker, bank or other nominee and asking for a new proxy card. Alternatively, you can vote again, either over the Internet or by telephone. If you attend the meeting, you may vote by ballot, which will cancel your previous proxy vote. Your last vote is the vote that will be counted.

What is a quorum?

A quorum of the holders of the outstanding Shares must be present for the Annual Meeting to be held. A quorum is the presence at the meeting, in person or represented by proxy, of the holders of a majority of the outstanding Shares entitled to vote.

How are votes, abstentions and

broker non-votes counted?

Abstentions are counted for purposes of determining the presence or absence of a quorum, but are not considered a vote cast under Pennsylvania law.

A broker non-vote may occur when a broker, bank or other nominee holding Shares on your behalf does not receive voting instructions from you. If that happens, the broker, bank or other nominee may vote those Shares only on matters deemed routine by the New York Stock Exchange, such as the election of directors and the ratification of the appointment of the independent accountants. A broker non-vote occurs when a broker has not received voting instructions and either declines to exercise its discretionary authority to vote on routine matters or is barred from doing so because the matter is non-routine. Broker non-votes are counted to determine if a quorum is present, but are not considered a vote cast under Pennsylvania law.

As a result, abstentions and broker non-votes are not included in the tabulation of the voting results on issues requiring approval of a majority of the votes cast and, therefore, do not have the effect of votes in opposition in such tabulation.

What vote is required to approve each item?

The Director nominees will be elected by a plurality of the votes cast at the Annual Meeting. The other matter to be considered at the meeting requires the affirmative vote of a majority of the votes cast at the meeting on the item to be approved.

Who will count the vote?

Mellon Investor Services LLC, our Transfer Agent, will tabulate the votes cast by proxy or in person at the Annual Meeting.

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What are the deadlines for Shareholder s

proposals for next year s Annual Meeting?

Shareholders may submit proposals on matters appropriate for Shareholder action at future annual meetings by following the rules of the Securities and Exchange Commission. Proposals intended for inclusion in next year s proxy statement and proxy card must be received by the Company not later than September 5, 2006. With respect to proposals not intended for inclusion in the Company s proxy materials for next year s annual meeting, if the Company does not receive notice of such a proposal by November 20, 2006 and the matter is raised at that meeting, the proxy holders will have discretionary authority to vote on the matter. All proposals and notifications should be addressed to the Corporate Secretary.

How much did this proxy solicitation cost?

The Company has engaged Georgeson Shareholder to solicit proxies for the Company for a fee of \$6,500 plus reasonable expenses for additional services. We also reimburse banks, brokerage firms and other institutions, nominees, custodians and fiduciaries for their reasonable expenses for sending proxy materials to beneficial owners and obtaining their voting instructions. Certain Directors, officers and regular employees of the Company and its subsidiaries may solicit proxies personally or by telephone or facsimile without additional compensation.

SECURITIES OWNERSHIP OF MANAGEMENT

The following table shows the number of Shares beneficially owned by each Director, Nominee, and by each of the executive officers named in the Summary Compensation Table on page 25, and by all Directors and executive officers as a group. The table shows their beneficial ownership as of October 1, 2005.

Our subsidiary AmeriGas Propane, Inc. is the General Partner of AmeriGas Partners, L.P., one of our consolidated subsidiaries and a publicly-traded limited partnership. The table also shows, as of October 1, 2005, the number of Common Units of AmeriGas Partners, L.P. beneficially owned by each Director, Nominee and executive officer and by all Directors and executive officers as a group.

Mr. Greenberg beneficially owns approximately 1.2% of the outstanding Common Stock. Each other person named in the table beneficially owns less than 1% of the outstanding Common Stock and less than 1% of the outstanding Common Units of AmeriGas Partners. Directors, nominees and executive officers as a group own approximately 2.4% of the outstanding Common Stock and less than 1% of the outstanding Common Units of AmeriGas Partners. For purposes of reporting total beneficial ownership, Shares that may be acquired within 60 days of October 1, 2005 through UGI stock option exercises are included.

Table of Contents**Beneficial Ownership of Directors, Nominees and Executive Officers**

Name	Aggregate Number of Shares of UGI Common Stock ⁽¹⁾	Stock Units Held Under 2004 Plan ⁽²⁾	Exercisable Options for UGI Stock	Aggregate Number of
				AmeriGas Partners, L.P. Common Units
James W. Stratton	18,608 ⁽³⁾	51,555	70,400	1,000 ⁽³⁾
Richard C. Gozon	21,608	70,004	70,400	5,000
Stephen D. Ban	16,496	39,350	41,000	0
Lon R. Greenberg	586,738 ⁽⁴⁾	0	720,024	6,500 ⁽⁴⁾
Marvin O. Schlanger	8,724 ⁽⁵⁾	30,808	67,400	1,000 ⁽⁵⁾
Thomas F. Donovan	16,732	19,001	17,000	1,000
Anne Pol	5,894	40,545	41,000	0
Ernest E. Jones	2,618	10,771	41,000	0
Roger B. Vincent	0	0	0	6,000
John L. Walsh	6,571 ⁽⁶⁾	0	0	0
Anthony J. Mendicino	173,498 ⁽⁷⁾	0	104,674	10,000 ⁽⁷⁾
Eugene V. N. Bissell	66,380 ⁽⁸⁾	0	34,674	22,273 ⁽⁸⁾
François Varagne	3,000	0	0	0
Directors and executive officers as a group (16 persons)	1,087,480	262,034	1,388,418	65,881

(1) Sole voting and investment power unless otherwise specified.

(2) The UGI Corporation 2004 Omnibus Equity Compensation Plan (the "2004 Plan") provides that Stock Units will be converted to Shares and paid out to Directors upon their retirement or termination of service.

(3) Mr. Stratton's Shares and Common Units are held jointly with his spouse.

(4) Mr. Greenberg holds 264,660 Shares jointly with his spouse and 19,932 Shares are held in the UGI Stock Fund of the 401(k) Employee Savings Plan, based on September 30, 2005 statements. Mr. Greenberg's adult children hold 4,500 of the Common Units shown.

(5) Mr. Schlanger's spouse holds 1,000 of the Shares and all of the Common Units shown.

(6) Mr. Walsh's Shares are held jointly with his spouse.

(7) Mr. Mendicino holds 258 Shares and all Common Units jointly with his spouse.

(8) Mr. Bissell's Shares and Common Units are held jointly with his spouse.

Section 16(a) Beneficial Ownership**Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires our Directors, certain officers and 10% beneficial owners to report their ownership of Shares and changes in such ownership to the Securities and Exchange Commission. Based on our records, we believe that during Fiscal 2005, all of such reporting persons complied with all Section 16(a) reporting requirements applicable to them. In 2002, Mr. Greenberg made a gift of 100 shares that was not timely reported. A corrective filing has since been made.

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SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table shows information regarding each person known by the Company to be the beneficial owner of more than 5% of the Company's Common Stock. The ownership information below is based on information reported on a Form 13F as filed with the SEC in November 2005 for the quarter ended September 30, 2005.

Securities Ownership of Certain Beneficial Owners

Title of	Name and Address of	Amount and Nature of	Percent of
Class	Beneficial Owner	Beneficial Ownership	Class (1)
Common Stock	Barclays Bank PLC Barclays Global Investors NA 54 Lombard Street London, England EC3P3AH	9,145,411	8.71%

(1) Based on 104,974,454 Shares of Common Stock issued and outstanding at December 9, 2005.

ITEM 1 ELECTION OF DIRECTORS

NOMINEES

Nine Directors will be elected at the Annual Meeting. Directors will serve until the next annual meeting or until their earlier resignation or removal. If any nominee is not available for election, proxies will be voted for another person nominated by the Board of Directors or the size of the Board will be reduced. Seven members of the Board of Directors elected at last year's annual meeting are standing for re-election this year. Mr. Donovan has reached the mandatory retirement age pursuant to the Company's bylaws and Principles of Corporate Governance and will not stand for re-election. Mr. Vincent is a nominee for the first time, and if elected, will succeed Mr. Donovan as Chairperson of the Audit Committee. Mr. Walsh was elected to the Board of Directors in April 2005 to fill a vacancy on the Board.

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The nominees are as follows:

JAMES W. STRATTON

Director since 1979

Age 69

Mr. Stratton is the Chairman, Chief Executive Officer, and a Director of Stratton Management Company (an investment advisory and financial consulting firm) (since 1972). Mr. Stratton serves as a Director of UGI Utilities, Inc.; AmeriGas Propane, Inc.; Stratton Growth Fund, Inc.; Stratton Monthly Dividend REIT Shares, Inc.; and Stratton Small-Cap Value Fund.

RICHARD C. GOZON

Director since 1989

Age 67

Mr. Gozon retired in April of 2002 as Executive Vice President of Weyerhaeuser Company (an integrated forest products company) and Chairman of Norpac (North Pacific Paper Company, a joint venture with Nippon Paper Industries headquarters in Tokyo, Japan), positions he had held since 1994. Mr. Gozon was formerly a Director (1984 to 1993), President and Chief Operating Officer of Alco Standard Corporation (a provider of paper and office products) (1988 to 1993); Executive Vice President and Chief Operating Officer (1988), President (1985 to 1987) of Paper Corporation of America. He also serves as a Director of UGI Utilities, Inc.; AmeriGas Propane, Inc.; AmeriSource Bergen Corp.; and Triumph Group, Inc.

STEPHEN D. BAN

Director since 1991

Age 65

Dr. Ban is currently serving as the Director of the Technology Transfer Division of the Argonne National Laboratory (science-based Department of Energy laboratory dedicated to advancing the frontiers of science in energy, environment, biosciences and materials) (March 2002 to present). He previously served as President and Chief Executive Officer of the Gas Research Institute (gas industry research and development funded by distributors, transporters, and producers of natural gas) (1987 through 1999). He also served as Executive Vice President. Prior to joining GRI in 1981, he was Vice President, Research and Development and Quality Control of Bituminous Materials, Inc. Dr. Ban also serves as a Director of UGI Utilities, Inc. and Energen Corporation.

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LON R. GREENBERG

Director since 1994

Age 55

Mr. Greenberg has been Chairman of the Board of Directors of UGI since August 1996 and Chief Executive Officer since August 1995. He was formerly President (1994 to April 2005), Vice Chairman of the Board (1995 to 1996), and Senior Vice President - Legal and Corporate Development (1989 to 1994). Mr. Greenberg also serves as a Director of Aqua America, Inc.; UGI Utilities, Inc.; and AmeriGas Propane, Inc.

MARVIN O. SCHLANGER

Director since 1998

Age 57

Mr. Schlanger is a Principal in the firm of Cherry Hill Chemical Investments, L.L.C. (management services and capital for chemical and allied industries) (October 1998 to present) and Vice Chairman of Hexion Specialty Chemicals, Inc. (June 2005 to present). He was previously Chairman and Chief Executive Officer of Resolution Performance Products, Inc. (a manufacturer of specialty and intermediate chemicals) (November 2000 to May 2005) and Chairman, Resolution Specialty Materials, LLC (August 2004 to May 2005). Mr. Schlanger also serves as a Director of UGI Utilities, Inc.; and Hexion Specialty Chemicals.

ANNE POL

Director 1993 through 1997 and

since December 1999

Age 58

Mrs. Pol retired in June of 2005 as President and Chief Operating Officer of Trex Enterprises Corporation (a high technology research and development company), a position she had held since October 15, 2001. She previously served as Senior Vice President, Thermo Electron Corporation (environmental monitoring, analytical instruments and a major producer of recycling equipment, biomedical products and alternative energy systems) (1998 to 2001), and Vice President (1996 to 1998). Mrs. Pol also served as President, Pitney Bowes Shipping and Weighing Systems Division, a business unit of Pitney Bowes Inc. (mailing and related business equipment) (1993 to 1996); Vice President, New Product Programs in the Mailing Systems Division of Pitney Bowes Inc. (1991 to 1993) and Vice President, Manufacturing Operations in the Mailing Systems Division of Pitney Bowes Inc. (1990 to 1991). Mrs. Pol also serves as a Director of UGI Utilities, Inc.

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ERNEST E. JONES

Director since 2002

Age 61

Mr. Jones is President and Chief Executive Officer of Philadelphia Workforce Development Corporation (an agency which funds, coordinates and implements employment and training activities in Philadelphia, Pennsylvania), a position he has held since 1998. He formerly served as President and Executive Director of the Greater Philadelphia Urban Affairs Coalition (1983 to 1998). Mr. Jones also served as Executive Director of Community Legal Services, Inc. (1977 to 1983). Mr. Jones also serves as a Director of the African American Museum in Philadelphia; Wachovia Regional Foundation; Thomas Jefferson University; the William Penn Foundation; and UGI Utilities, Inc.

JOHN L. WALSH

Director since April 2005

Age 50

Mr. Walsh is a Director (since April 2005) and President and Chief Operating Officer of UGI Corporation (since April 2005). He is also Vice Chairman of AmeriGas Propane, Inc. and UGI Utilities, Inc. (since April 2005). Previously, Mr. Walsh was the Chief Executive of the Industrial and Special Products Division of the BOC Group plc (industrial gases), a position he assumed in 2001. He was also an Executive Director of BOC (2001 to 2005). He joined BOC in 1986 as Vice President-Special Gases and held various senior management positions in BOC, including President of Process Gas Solutions, North America (2000 to 2001) and President of BOC Process Plants (1996 to 2000). Mr. Walsh also serves as a Director of UGI Utilities, Inc. and AmeriGas Propane, Inc.

ROGER B. VINCENT

Nominee

Age 60

Mr. Vincent is President of Springwell Corporation, a corporate finance advisory firm located in New York (since 1989). Mr. Vincent also serves as a Director of the ING Funds; ING Prime Rate Trust; ING Global Equity Dividend and Premium Opportunity Fund; ING Global Advantage and Premium Opportunity Fund; and AmeriGas Propane, Inc.

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CORPORATE GOVERNANCE

The business of UGI Corporation is managed under the direction of the Board of Directors. As part of its duties, the Board oversees the corporate governance of the Company for the purpose of creating long-term value for its Shareholders and safeguarding its commitment to its other stakeholders: our employees, our customers, our suppliers and creditors, and the communities in which we do business. To accomplish this purpose, the Board considers the interests of the Company's stakeholders when, together with management, it sets the strategies and objectives of the Company. The Board also evaluates management's performance in pursuing those strategies and achieving those objectives.

In carrying out its responsibilities under the guidelines set forth by the Principles of Corporate Governance, the Board will:

- Approve the Company's strategies and objectives;
- Evaluate the performance and compensation of the Chief Executive Officer and senior management;
- Review succession planning;
- Advise and counsel management;
- Monitor policies on corporate governance and conduct;
- Establish and monitor Board and Committee structure; and
- Assess Board performance.

The full text of the Company's Principles of Corporate Governance can be found on the Company's website, www.ugicorp.com, under Investor Relations and Corporate Governance. The Company has also adopted (i) a Code of Ethics for the Chief Executive Officer and Senior Financial Officers that applies to the Company's Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, and (ii) a Code of Business Conduct and Ethics for Directors, Officers and Employees. Both Codes and the Charters of the Corporate Governance, Audit, and Compensation and Management Development Committees of the Board of Directors are posted on the Company's website, www.ugicorp.com, under Investor Relations and Corporate Governance. All of these documents are also available free of charge by writing to Robert W. Krick, Vice President and Treasurer, UGI Corporation, P.O. Box 858, Valley Forge, PA 19482.

COMMUNICATIONS WITH THE BOARD

You may contact the Board of Directors or the non-management Directors as a group by writing to them c/o UGI Corporation, P. O. Box 858, Valley Forge, PA 19482.

Any communications directed to the Board of Directors or the non-management Directors as a group from employees or others that concern complaints regarding accounting, internal controls or auditing matters will be handled in accordance with procedures adopted by the Audit Committee of the Board.

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All other communications directed to the Board of Directors or the non-management Directors as a group are initially reviewed by the General Counsel. The Chairman of the Corporate Governance Committee is advised promptly of any such communication that alleges misconduct on the part of Company management or raises legal, ethical or compliance concerns about Company policies or practices.

On a periodic basis, the Chairperson of the Corporate Governance Committee receives updates on other communications that raise issues related to the affairs of the Company but do not fall into the two prior categories. The Chairperson of the Corporate Governance Committee determines which of these communications he would like to see. The Corporate Secretary maintains a log of all such communications that is available for review for one year upon request of any member of the Board.

Typically, we do not forward to our Board of Directors communications from our Shareholders or other parties which are of a personal nature or are not related to the duties and responsibilities of the Board, including junk mail, customer complaints, job inquiries, surveys and polls, and business solicitations.

These procedures have been posted on the Company's website at www.ugicorp.com under Investor Relations and Corporate Governance.

BOARD COMMITTEES AND MEETING ATTENDANCE

The Board of Directors has determined that, other than Messrs. Greenberg and Walsh, no Director has a material relationship with the Company and each is an independent director as defined under the rules of the New York Stock Exchange. The Board of Directors has established the following guidelines to assist it in determining director independence: (i) if a Director serves as an officer, director or trustee of a non-profit organization, charitable contributions to that organization by the Company and its affiliates in an amount up to \$50,000 per year will not be considered to result in a material relationship between such Director and the Company, and (ii) service by a Director or his immediate family member as an executive officer or employee of a company that makes payments to, or receives payments from, the Company or its affiliates for property or services in an amount which, in any of the last three fiscal years, did not exceed the greater of \$1 million or 2% of such other company's consolidated gross revenues, will not be considered to result in a material relationship between such Director and the Company.

The Board of Directors held 8 meetings in Fiscal 2005. All Directors attended at least 75% of the meetings of the Board of Directors and Committees of the Board of which they were members. Generally, all Directors attend the Company's Annual Meetings of Shareholders, and each of the Company's Directors attended the 2005 Annual Meeting of Shareholders, held on February 23, 2005.

The Board of Directors has established the Audit Committee, the Compensation and Management Development Committee, the Executive Committee, the Corporate Governance Committee, and the Planning and Finance Committee. All of these committees are responsible

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to the full Board of Directors. The functions of and other information about these committees are summarized below.

Audit Committee

Oversees the accounting and financial reporting processes of the Company and audits of the financial statements of the Company.

Appoints and approves the compensation of the Company's independent accountants.

Monitors the independence of the Company's independent accountants and the performance of the independent accountants and the internal audit function.

Oversees the adequacy of the Company's controls relative to financial and business risk.

Provides a means for open communication among the Company's independent accountants, management, internal audit staff and the Board.

Oversees compliance with applicable legal and regulatory requirements.

AUDIT COMMITTEE MEMBERS: T. F. Donovan (Chairperson), M. O. Schlanger and A. Pol.

The Board of Directors has determined that all of the Audit Committee members—Mr. Donovan, Mr. Schlanger and Mrs. Pol—qualify as audit committee financial experts in accordance with the applicable rules and regulations of the SEC. Each of the members of the Audit Committee is independent as defined by the New York Stock Exchange listing standards.

MEETINGS HELD LAST YEAR: 8

A current copy of the charter for the Audit Committee is attached to this proxy statement as Appendix A.

Compensation and Management

Development Committee

Establishes executive compensation policies and programs.

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Recommends to the Board base salaries and target bonus levels for senior executive personnel.

Reviews the Company's management development and succession planning policies.

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