

**AUDIT COMMITTEE CHARTER**  
**(Review Date: September 13, 2016)**

The By-Laws of New Jersey Resources Corporation (together with its subsidiaries, the “Company”) in Article IV, Section 2 require the Board of Directors (“Board”) to appoint an Audit Committee (“Committee”) composed of at least three independent directors. The primary purposes of the Committee are (a) to assist the Board in its oversight of (1) the integrity of the Company’s financial statements; (2) the Company’s compliance with legal and regulatory requirements; (3) the independent auditor’s qualifications and independence; (4) the performance of the Company’s internal audit function and independent auditors; and (5) risk assessment and risk management, and (b) to prepare the report that SEC rules require to be included in the Company’s annual proxy statement. The Audit Committee is also required to (1) retain the Company’s independent auditors, (2) review the plan and scope of annual and other independent audits; (3) consult with the independent auditors regarding audit results and financial statements (including compliance with disclosure requirements); (4) oversee the adequacy of the system of internal accounting control; (5) oversee the effectiveness of the internal audit function (including reviewing and consulting with the internal auditors with respect to internal audit results and recommendations); and (6) take such other action as may be required by regulation or law.

The Board, acting in accordance with the By-laws and in furtherance thereof, has adopted this Audit Committee Charter:

**General**

The Committee shall be appointed by the Board on an annual basis, and the Board shall designate a Chairperson from among its members. All Committee nominations are the responsibility of the Nominating/Corporate Governance Committee comprised of independent directors. In accordance with the rules of the New York Stock Exchange (“NYSE”), and the Composition/Expertise and Independence Requirements thereof, and of the Securities and Exchange Commission (“SEC”) as they may be amended from time to time:

- Each member shall be financially literate or must become financially literate within a reasonable time after being appointed to the Committee. In addition, at least one member shall be an audit committee financial expert, as defined by the SEC. The Board shall determine whether the members meet these criteria.
- The “Corporate Governance Guidelines” of the Company set forth the requirements for a director to be considered independent from management and the Company. In addition, Committee members shall meet the requirements with respect to independence imposed by the rules of the NYSE.
- No Committee member may simultaneously serve on the audit committees of more than three public companies, unless the Board determines that such simultaneous service does not impair the Committee member’s ability to effectively serve on the Committee and such determination is disclosed in the proxy statement.

The head of the Internal Auditing Department of the Company (“ Vice President – Internal Audit”) shall report directly to the Chief Financial Officer of the Company and to the Committee. The Committee shall have direct access to the independent auditors.

## **Meetings**

The Committee shall hold at least four regular meetings a year, and any additional meetings that may be requested by a Committee member, the Board, the Chief Executive Officer or the independent auditors. In addition to Committee members, meetings shall normally be attended by representatives of the independent auditors; the Chief Executive Officer, the General Counsel, the Chief Financial Officer and the Chief Accounting Officer of the Company; the Chief Financial Officer of New Jersey Natural Gas Company; and the Vice President – Internal Audit. Other persons, including officers and employees of the Company, may be asked to attend at the Committee’s discretion. The Corporate Secretary of the Company or other persons designated by the Committee shall attend the meetings of the Committee to record the minutes thereof. For a portion of each meeting, the Committee shall meet separately with the independent auditors, the Vice President – Internal Audit, the Chief Executive Officer, and other management personnel the Committee deems appropriate. Non-members may be excused from any meeting, or portion of any meeting, of the Committee upon the request of the Committee Chairperson.

The Committee shall report to the Board any issues that arise with respect to the quality or integrity of the Company’s financial statements, the Company’s compliance with legal or regulatory requirements, the performance and independence of the Company’s independent auditors, and the performance of the internal audit function.

## **Internal Auditors**

The Committee shall oversee the internal audit function of the Company, including findings of the internal auditors and related management actions, and the adequacy of the staffing of the internal audit function. The Committee shall:

- Review and approve the Internal Audit Charter.
- Review with management and the Vice President – Internal Audit the activities, staffing, and organizational structure of the internal audit function.
- Have final authority to review and approve the Internal Audit annual audit plan and all major changes to the plan.
- Ensure there are no unjustified restrictions or limitations on, and review and concur in the appointment, replacement, or dismissal of the Vice President – Internal Audit.
- At least once per year, review the performance of the Vice President – Internal Audit and concur with his or her compensation.
- Review the effectiveness of the internal audit function, which includes an external quality assessment performed at least once every five years by an independent third party.
- On a regular basis, meet in executive sessions with the Vice President – Internal Audit to discuss any matters that the Committee or internal audit believes should be discussed privately.

## **Independent Auditors**

The Committee shall be directly responsible for the appointment (subject, if applicable, to shareholder ratification), termination, compensation, and oversight of the work of any registered public accounting

firm engaged (including resolution of disagreements between management and the Board regarding financial reporting) by the Company for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. Each such registered public accounting firm shall report directly to the Committee. All auditing and non-auditing services provided to the Company by any such auditor shall be preapproved by the Committee. The Committee may establish pre-approval policies and procedures in compliance with applicable SEC rules.

The Committee shall:

- Discuss with management the selection or replacement of the independent auditors; review with the independent auditors, prior to their audit, the scope of their examination; review any non-audit services to be provided by independent auditors and consider the possible effect, if any, of these services on the independence of the independent auditors; review with the independent auditors the estimated fees to be paid for the work performed; evaluate at least annually, the independent auditor's qualifications and performance, including an evaluation of the lead partner of the independent auditor.
- Ensure the rotation of the lead audit partner at least every five years and otherwise as required by law.
- Ensure that the independent auditors submit on a periodic basis a formal written statement delineating all relationships between the independent auditors and the Company and such other written disclosures and the letter from the independent auditors required by applicable requirements of the Public Accounting Oversight Board regarding the independent auditors' communications with the Committee concerning independence; discuss with the independent auditors any such relationships or any services that may impact on the objectivity and independence of the independent auditors and take appropriate action in response to such report to satisfy itself of such independence.
- Discuss with the independent auditors such other matters and take such other action, including discussions with respect to the independent auditors' responsibility under generally accepted auditing standards; any audit problems and management's response; significant accounting policies; proposed audit adjustments not recorded, if any; unusual transactions; significant audit adjustments; other information in documents containing audited financial statements; disagreements of the independent auditors with management; the Company's consultation with other accountants; major issues discussed with management prior to retention of the independent auditors; any "management" or "internal control" letter issued, or proposed to be issued, by the audit firm to the Company; the responsibilities, budget and staffing of the Company's internal audit function; and difficulties encountered in performing an audit.
- Establish and maintain guidelines for the Company's hiring of former employees of the Independent Auditor, which shall meet the requirements of applicable law and listing standards.
- At least annually, obtain and review a report by the independent auditor describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the Company.
- Present conclusions with respect to the independent auditor to the Board.

## **Financial Statement Matters**

The Committee shall:

- Oversee the quarterly and annual reporting of the Company by reviewing the work of management and the independent auditors.
- Review and discuss with management and the independent auditors all annual and other audited financial statements, quarterly financial statements, and the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations".
- Discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies (i.e., discussion of the types of information to be disclosed and the type of presentation to be made). The Committee need not discuss in advance each earnings release or each instance in which the Company may provide earnings guidance.
- Review major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies.
- Receive from management, on a timely basis, updates and recommendations with regard to existing and proposed significant current financial reporting issues and practices.
- Review analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of all material alternative Generally Accepted Accounting Principles ("GAAP") methods on the financial statements.
- Review the effect of regulations and accounting initiatives, as well as any off-balance sheet structures, on the financial statements of the Company.
- Discuss with management and the independent auditors their qualitative judgments about the appropriateness of accounting policies, principles and financial disclosure practices used or proposed to be adopted.
- Make such recommendations to the Board as the Committee deems appropriate with respect to the inclusion of the audited financial statements in the Company's Annual Report on Form 10-K for the last fiscal year for filing with the SEC.

## **Other Matters**

The Company shall provide the Committee appropriate funding, as determined by the Committee, to pay (i) compensation to any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit review or attest services for the Company; (ii) compensation to any legal, accounting or other advisor the Committee shall retain and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee shall:

- Oversee the: (a) adequacy and effectiveness of the internal accounting controls and compliance with the Foreign Corrupt Practices Act, (b) adequacy, effectiveness and compliance with the Code of Conduct of the Company, and (c) effectiveness of the electronic data processing procedures and controls and related security programs.
- Review the independent auditors' letter to management, and other comments, if any, regarding the system of internal accounting controls and review any management response thereto.
- Review major issues, if any, arising from an assessment of the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies.
- Discuss with management and the independent auditor the Company's policies and procedures governing the process by which risk assessment and risk management is undertaken. Review and discuss with management, the Company's material financial risk exposures, such as risks relating to financial reporting processes, credit risks, liquidity risks and market risks, and the steps management has taken to monitor and control such exposures. Other committees of the Board of Directors will have principal responsibility for reviewing and discussing with management those risk exposures: (i) specified in their charters or (ii) identified from time to time by the committees themselves or by the Audit Committee. Review at least annually, a listing of the specific risk exposures reviewed by each committee of the Board of Directors.
- Discuss with the Chief Executive Officer and Chief Financial Officer any significant deficiencies in the design and operation of internal controls, any material weaknesses in internal controls and matters of fraud as contemplated by Section 302 of the Sarbanes/Oxley Act of 2002.
- Prepare a report to shareholders as required by the SEC to be included in the proxy statement.
- As it deems necessary to carry out its duties, obtain advice and assistance from outside legal, accounting or other advisors.
- Establish formal procedures for receiving and handling complaints. Specifically, the Committee establishes procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- Perform annually a self assessment of the performance of the Committee.
- Reassess the adequacy of this Charter and the Internal Audit Department Charter on an annual basis.
- Review and approve related person transactions in accordance with the Statement of Policy with respect to Related Person Transactions and reassess the adequacy of such Policy on an annual basis and, if necessary, recommend amendments for consideration by the Board of Directors from time to time.

- Review such other matters as the Committee shall determine from time to time, within the scope of its responsibilities, and make such recommendations to the Board with respect thereto as the Committee deems appropriate.