

**NEW JERSEY RESOURCES CORPORATION**  
**Corporate Governance Guidelines**

(Revised July 13, 2016)

**Mission of the New Jersey Resources Corporation Board of Directors**

The Board of Directors (the “Board”) of New Jersey Resources Corporation (the “Company”) is elected by the Company’s shareholders to manage the business and affairs of the Company and to act in the best interests of the Company and its shareholders. The Board is responsible for setting the policy for the successful operation of the Company by the management for the benefit of its shareholders. By carefully overseeing the strategic planning process and monitoring performance, the Board seeks to enhance the total return on shareholder investment. The Board oversees the Company’s risk management program, by, among other things, assessing material risks facing the Company and reviewing options for mitigation of such risks. The Board will ensure appropriate programs for the retention and development of management. Recognizing the important role that other stakeholders play in the long-term success of the Company, the Board will promote a challenging and rewarding work environment for employees, compliance with environmental and public safety standards and fair and honest relationships with all others with whom the Company does business.

While no set of guidelines can cover every conceivable situation, this document provides general principles for the Board to follow in carrying out its mission in a professional, ethical, and legal manner.

**I. BOARD MEMBERSHIP**

**A. Number**

It is the responsibility of the Nominating/Corporate Governance Committee (“NCG Committee”) or any successor committee with essentially the same duties, to recommend to the Board the appropriate number of members that should constitute the Board. The Board shall set the number by resolution.

**B. Term**

1. Pursuant to the Company’s bylaws, each member of the Board will be elected by the shareholders for three years and will serve until his/her successor has been elected and qualified (except in the instance of filling an unexpired term or when the number of directors is increased prior to the Annual Meeting of Shareholders). The NCG Committee may recommend the nomination of a sitting director for a one or two year term so that the expiration of said term would occur no later than the date of the Annual Meeting of Shareholders following that director’s seventy-fifth (75<sup>th</sup>) birthday.
2. There is no limit on the number of terms a director may serve, except that no director may serve beyond the date of the first Annual Meeting of Shareholders following his/her 75<sup>th</sup> birthday.
3. Only under extraordinary circumstances, as determined by the Board, shall a retired director remain on the Board as a director emeritus.

### **C. Criteria for Membership**

1. The NCG Committee is responsible for evaluating the composition, size, skills, backgrounds and talents needed by the Board, based on the Company's strategic plan and in consultation with the Chief Executive Officer ("CEO"). The evaluation will assist the NCG Committee in determining the appropriate skills, areas of expertise and characteristics of potential Board members. Goals to be considered include ensuring that sitting Board members continue to serve the shareholders' best interests and appropriately identifying "new talent" as the needs of the business require. The NCG Committee will then recommend to the Board guidelines for selecting members and characteristics needed in new directors, based on the above evaluation and the composition of the current Board.
2. The only active full-time officer who may serve on the Board will be the CEO. At the time the CEO ceases serving the Company as such, he/she shall offer to resign from the Board. The NCG Committee shall make a recommendation to the Board regarding the former CEO's continued service on the Board.
3. A majority of the Board shall be independent under the independence standards established by these Corporate Governance Guidelines and the rules of the New York Stock Exchange ("NYSE") and the United States Securities and Exchange Commission ("SEC") as in effect from time to time. In order for a Board member or candidate for election to the Board to qualify as independent, the Board must affirmatively determine that the person or his or her immediate family members have no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) or any of its affiliates. A member of the Board is not independent if:
  - a. The director is, or has been within the last three years, an employee of the Company, or an immediate family member is, or has been within the last three years, an executive officer, of the Company.
  - b. The director has received, or has an immediate family member who 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).
  - c. (i) The director is a current partner or employee of a firm that is the Company's internal or external auditor; (ii) the director has an immediate family member who is a current partner of such a firm; (iii) the director has an immediate family member who is a current employee of such a firm and personally works on the Company's audit; or (iv) 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 an immediate family member is, or has been with the last three years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on that company's compensation committee.
- e. The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2%, of such other company's consolidated gross revenues.

The Board shall also consider a director's charitable relationships. Contributions to tax-exempt organizations shall not be considered payments for purposes of subsection (e) above, provided however that the Company shall disclose in its annual proxy statement any such contributions made by the Company to any tax exempt organization in which any independent director serves as an executive officer if, within the preceding three years, contributions in any single fiscal year from the Company to the organization exceeded the greater of \$1 million, or 2%, of such tax exempt organization's consolidated gross revenues.

For purposes of this Section, an "immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home. When applying the look-back provisions set forth above, the Board need not consider individuals who are no longer immediate family members as a result of legal separation or divorce, or those who have died or become incapacitated.

4. A Board member may sit on the board of any affiliate of the Company so long as, except for being a director on each such board of directors, the member otherwise meets the independence requirements for each such entity, including the receipt of only ordinary-course compensation for serving as a member of the board of directors.
5. Each member of the Board shall submit a letter of resignation to the Chairman of the Board when the member changes his or her principal occupation or employment, or leaves or retires from the business with which such occupation or employment was carried out. The letter shall be submitted to the NCG Committee who shall make a recommendation to the Board regarding such director's continued service on the Board and the Board shall then determine whether to accept such resignation.

#### **D. Membership Recruitment**

1. The Board believes the diversity of backgrounds and expertise and the Company's employees, customers and communities should be taken into account when determining the Board's composition.

2. All members of the Board are encouraged to submit potential Board member candidates to the NCG Committee for consideration. The NCG Committee will then submit its recommendations to the Board.
3. The NCG Committee will evaluate all candidates for election to the Board of Directors, regardless of the source from which the candidate was first identified, based upon the totality of the merits of each candidate, and not based solely upon minimum qualifications or attributes.
4. The NCG Committee may retain a third-party search firm to assist in the identification of possible candidates for election to the Board.
5. Potential Board members identified by the NCG Committee should be interviewed by the Chairperson of the NCG Committee, the Chairman of the Board and the CEO (if other than the Chairman of the Board). If practical, the full Board should have an opportunity to meet the candidate prior to voting on his/her nomination for election to the Board.
6. The Chairman of the Board, CEO (if other than the Chairman) or Chairperson of the NCG Committee, on behalf of the Board, should extend the invitation to join the Board.

**E. Board Training and Orientation**

1. Management has an orientation process for new Board members that includes background information on the Company and the industry, the Company Code of Conduct, the policy regarding trading in Company stock, Board compensation, meetings with senior management, and visits to various Company facilities.
2. On an on-going basis, Board members shall be provided the opportunity to participate in tours of various Company facilities and field trips to view specific job activities or projects, to increase their understanding of the Company and its businesses.
3. Board members are encouraged to attend conferences and other continuing education programs designed for directors of publicly traded companies. Each member of the Board shall attend at least one course on corporate governance during any five-year period, at the Company's expense.
4. Annually, subsequent to the organizational meeting of the Board, members shall receive an updated copy of the Board of Directors' Handbook that includes the Company's bylaws, Charters of each Board committee, these Guidelines, Code of Conduct, Policy on the Purchase and Sale of Company Securities, the Statement of Policy with Respect to Related Person Transactions and information on the Board, management, work locations and organizational structure of the Company and each of its functioning subsidiaries.

**F. Member Participation**

1. Board members are expected to attend and participate in all meetings of the Board and the committees on which they serve and the annual meeting of shareholders. When attendance in person is impossible, every effort should be

made to attend via telephone. The Chairperson of the NCG Committee will discuss attendance with any member whose attendance falls below 75% to determine if excessive time conflicts are likely to continue, and whether the member should continue to serve on the Board.

2. Members of the Board should be available to provide advice, mentoring, or guidance at management's request.
3. The independent directors will annually elect a Chairman of the Board. If the individual elected as Chairman of the Board is the CEO, the independent directors shall also elect a Lead Director, for whatever period of time the Board determines to be appropriate. The Chairman of the Board shall preside at all meetings of the shareholders and of the Board as a whole. He or she shall perform such other duties, and exercise such powers, as from time to time shall be prescribed by the Board. The Lead Director shall preside over executive sessions of the independent directors and perform such other duties as may be specified by the Board and outlined in Exhibit B hereto. The name of the Lead Director shall be disclosed in the Proxy Statement.
4. The CEO and employee(s) designated by the CEO are the sole Company spokespersons. No outside Board member shall represent him or herself as a spokesperson to investors, media, or others without a prior request by the CEO or the CEO's executive designee.

#### **G. Board Compensation Review**

1. Board compensation should be both cash and stock-based. Total compensation should be comparable to that paid to other boards of similar companies.
2. It is the responsibility of the NCG Committee, with the CEO and Corporate Secretary, to review annually the total Board compensation package to ensure that it is competitive so that the Company may recruit and maintain quality Board members.
3. The Board shall approve, based on the NCG Committee's recommendation, the total Board compensation package (including fees for services on committees and as chairs thereof) and annually approve retainer and attendance fees. The NCG Committee shall consult with an independent compensation consultant when establishing board compensation.

#### **H. Board Ownership of Company Stock**

1. All Board members should own shares of the Company's common stock with a market value equal to five times the annual cash retainer, to foster a mutual interest between Board members and shareholders of the Company. Directors are expected to retain at least 50% of the Company's common stock received from the Company as part of their annual retainer until the stock ownership requirements are met. This policy will be reviewed from time to time, as the Board deems appropriate.
2. In addition to shares acquired through the stock options as share awards which the members may receive as part of the Board compensation package,

Board members may use their fees and/or retainers to regularly purchase stock through the Company, or purchase stock through the Company's Dividend Reinvestment Plan.

3. Directors should be familiar with the "Policy Regarding the Purchase and Sale of Company Securities" in order to comply with regulatory and/or legal requirements. Each director should contact the Company's General Counsel for advice prior to engaging in any transactions in Company stock.

## **I. Voting in Director Elections**

In accordance with the Company's bylaws, in an uncontested election, a nominee must receive more votes cast "for" than "withheld" from his or her election or re-election in order to be elected or re-elected to the Board. Any nominee for director in an uncontested election who receives a greater number of votes "withheld" from his or her election than votes "for" such election shall, promptly following certification of the shareholder vote, tender his or her resignation to the Board for consideration in accordance with the following procedures. All of the procedures set forth below in this Section I. shall be completed within 90 calendar days following certification of the shareholder vote:

### **1. NCG Committee Action**

The NCG Committee shall evaluate the best interests of the Company and shall recommend to the Board the action to be taken with respect to such tendered resignation.

- a. The NCG Committee may recommend the following, without limitation:
  - i. accepting the resignation;
  - ii. rejecting the resignation and maintaining the director;
  - iii. rejecting the resignation and maintaining the director but committing to seek to address and cure the underlying reasons reasonably believed by the NCG Committee to have resulted in such director failing to receive the required number of votes "for" such director's election; or
  - iv. rejecting the resignation but resolving that the director will not be re-nominated in the future for election.
- b. In reaching its recommendation, the NCG Committee shall consider all factors it deems relevant, including, without limitation, the following:
  - i. if available, the reasons why shareholder "withheld" votes from such director;
  - ii. the length of the service and qualification of the director whose resignation has been tendered;
  - iii. the director's contributions to the Company;
  - iv. compliance with the New York Stock Exchange listing standards; and
  - v. these Corporate Governance Guidelines.

- c. If the NCG Committee decides to recommend that the Board accept the resignation, the NCG Committee shall also recommend to the Board whether to fill the resulting vacancy or reduce the size of the Board.

## **2. Board and Company Action**

- a. The Board shall act on the NCG Committee's recommendation and determine whether to accept or reject the director's resignation. In acting on the NCG Committee's recommendation, the Board shall consider all of the factors considered by the NCG Committee and such additional factors as it deems relevant.
- b. Following the Board's determination, the Company shall publicly disclose in a document furnished or filed with the SEC the Board's decision of whether or not to accept the resignation and an explanation of how the decision was reached, including, if applicable, the reasons for rejecting the resignation.

## **3. General**

- a. A director who is required to tender his or her resignation in accordance with this Section I shall not be present during deliberations of the NCG Committee or the Board, and shall not vote with the Board regarding whether to accept his or her resignation. Prior to voting, the NCG Committee and the Board shall afford the affected director an opportunity to provide the NCG Committee or the Board with any information that he or she deems relevant.
- b. If all of the members of the NCG Committee are required to tender their resignations in accordance with this Section I in the same election, then the independent directors of the Board who are not required to tender their resignations in accordance with this Section I shall consider each resignation and perform the function of the NCG Committee under this Section I and recommend to the Board whether to accept each such resignation. However, if there are fewer than three independent directors then serving on the Board who are not required to tender their resignation in accordance with this Section I, then all independent directors shall participate in the determination of whether or not to accept each resignation, and each independent director who is required to tender his or her resignation in accordance with this Section I shall recuse himself or herself from the deliberations and voting on his or her individual resignation.

For purposes of this Section I, an uncontested election is an election where the number of nominees is not greater than the number of directors to be elected.

## **II. BOARD STRUCTURE**

### **A. Meetings**

#### **1. Number**

Regular meetings of the Board shall be held at such times and places as shall be fixed by resolution of the Board. At least one of the meetings shall be devoted to discussions of the Company's strategic plan.

#### **2. Meetings Without Management Present**

The Lead Director shall chair all meetings of the independent members of the Board without the CEO or other members of management present immediately following each meeting of the Board, unless the independent directors determine such a meeting is not necessary. The Lead Director shall set the agenda for each of these meetings, with input from other members of the Board as they desire. At least twice a year, these meetings should include a discussion of the CEO's performance.

#### **3. Communication with the Lead Director**

In order that interested parties may be able to make their concerns known to non-management directors, the Company shall disclose a method for such parties to communicate directly and confidentially with the Lead Director, or a designated representative. The procedure for such communications is attached hereto as Exhibit A.

#### **4. Agendas and Presentations**

- a. The Board's meeting agenda shall be determined by the Chairman with input from the Lead Director. Members are encouraged to notify the Chairman, or the CEO if not the Chairman, the Lead Director or the Corporate Secretary of any agenda suggestions.
- b. Information and data that is important to the Board's understanding of the business will be distributed in writing to the Board before the Board meets. Absent unusual circumstances, the material will be submitted to the Board at least one week prior to the meeting.
- c. The Board realizes that the length of meetings will vary, depending on the topics. The meeting agenda should set forth the times scheduled for both presentations and discussions.
- d. At each regularly-scheduled Board meeting, the chairperson of each committee or their designee from management should provide a report of each committee meeting held subsequent to the last Board meeting.
- e. The CEO should provide the Board with an update at each regularly-scheduled meeting on the Company's performance in comparison with its strategic plan.



- f. The Chief Financial Officer (“CFO”) should provide an update at each regularly-scheduled meeting on the financial performance of the Company in comparison with the stated goals contained in the financial plan, or provide such an update in a written report prior to each meeting.
- g. Presentations from management employees selected by the CEO are welcomed. These serve as informational and educational opportunities for the Board and provide insight into the presenter’s management skills and expertise.

**5. Attendance**

- a. In addition to the CEO (if other than the Chairman), the Corporate Secretary may attend all Board meetings. The Board may ask the Corporate Secretary and/or the CEO to leave the meeting as and when the Board thinks it appropriate.
- b. The CEO or the Lead Director will decide which of the Company’s management employees should attend portions of any meeting.
- c. It will be necessary and appropriate, from time to time, for consultants, attorneys, financial advisors and others to attend portions of a meeting for the purpose of advising the Board.

**6. Authority to Engage Advisers**

The Board and any committee of the Board shall have the authority to engage independent legal, financial and other advisers and to provide for their compensation by the Company as the Board or such Committee determines necessary or appropriate to carry out its duties.

**7. Access to Management**

As the representatives of the shareholders, and in order to fulfill its obligations, the Board or any member of the Board, shall have the authority to meet with and discuss Company-related matters with any member of Company management or any employee, as determined by the Board. Such meetings may be arranged through the CEO, unless the Board determines that the CEO’s involvement is inappropriate. In that case, the Lead Director may make the necessary arrangements.

**8. Service on Other Boards**

- a. To protect against potential conflicts of interest, independent directors should advise the Chairman of the NCG Committee in advance of accepting an invitation to serve on another board. If a member of the Audit Committee simultaneously serves on the audit committee of more than three other public companies, the Board must determine that such simultaneous service would not impair the ability of such member to effectively serve on the Audit Committee annually, and must disclose such determination in the annual proxy statement.

- b. A director who serves as a chief executive officer of a publicly-traded company will not serve on more than three public company boards (including his or her own company's board) without the NCG Committee approving such service.
- c. A director who does not serve as a chief executive officer of a publicly-traded company will not serve on more than six public company boards without the NCG Committee approving such service.

## **B. Committees**

### **1. Structure**

The current committee structure of the Company appears appropriate; however, there may be circumstances under which the Board may want to form a new committee or disband a current one. The Board's current standing committees are: Audit, Nominating/Corporate Governance, Executive, and Leadership Development & Compensation ("LD&C").

### **2. Meetings**

- a. The number of meetings scheduled for each committee are set forth in its respective charter.
- b. All Board members are welcome to attend the meeting of any committee. This policy fosters openness, and provides greater opportunities for learning more about the Company.
- c. The agenda for each committee meeting should be set by the committee chairperson, the CEO and/or other appropriate members of management. The agenda and related materials should be distributed to the committee members at least one week prior to the meeting. Committee members may request inclusion of matters on the agenda.
- d. Minutes of each committee meeting should be submitted for review by the chairperson. The minutes of any committee meeting must be approved by that committee before submission to the Board for review.

### **3. Membership**

- a. The NCG Committee and the Chairman shall review the composition of each committee annually, and the NCG Committee shall make recommendations on such composition to the Board. It is the responsibility of the Board to appoint the members of each committee and designate a chairperson from among its members.
- b. The members of the Audit, LD&C, and NCG Committees are comprised solely of independent directors. Membership on the Audit Committee is limited to those directors who meet additional independence and other qualifications for audit committee members, as established from time to time under applicable law, regulations and New York Stock Exchange listing standards. When considering the independence of members of the LD&C Committee, the Board must also consider additional independence factors for

such members as established from time to time under applicable law, regulations and New York Stock Exchange listing standards.

- c. It is the sense of the Board that consideration should be given to rotating committee members periodically, but the Board does not feel that such a rotation should be mandated as a policy since there may be reasons at a given point in time to maintain an individual director's committee membership for a longer period or to shorten the period. The chairperson, when possible, should have served as a prior member of that committee or a similar committee with another board of directors, or have a background providing expertise in the area of the Committee's responsibilities.
- d. The CEO (even if the Chairman of the Board) shall serve on the Executive Committee only. Notwithstanding the above, the CEO may attend all committee meetings and shall be excused from any meeting or portion thereof, upon the request of the committee chairperson.

### **III. BOARD DUTIES**

#### **A. Strategic and Financial Planning**

1. Management shall, prior to the start of each fiscal year, submit a three-year strategic and financial plan that will first be presented to the Board. The first of the three years of such financial plan shall be subject to the approval of the Board.
2. Updates on the strategic and financial plan at each regularly-scheduled Board meeting by the CEO will allow the Board to monitor management's performance on a regular basis and approve modifications as recommended.
3. Reports by the CFO at each Board meeting or in writing prior to the meeting, on the Company's financial performance will provide the Board the opportunity to discuss and monitor the financial condition of the Company in comparison with the approved financial plan.

#### **B. Ethical Conduct**

The Company's employees, officers, directors and agents who are authorized to act on the Company's behalf, shall behave and conduct the business of the Company in an ethical and legal manner. The guidelines that describe this behavior are set forth in the Code of Conduct that is approved by the Board, upon the recommendation and advice of the NCG Committee.

#### **C. Human Resources Performance**

1. The Board will conduct an annual evaluation of the CEO and the results of the evaluation should be communicated to him/her by the Lead Director, the Chairman (if other than the CEO) or the Chairperson of the LD&C Committee. The evaluation will be used by the LD&C Committee in the course of its deliberations when considering the CEO's compensation.
2. The Board believes diversity among the Company's work force, equal opportunity and a work environment that is free of discrimination and

harassment are essential attributes of the Company. The LD&C Committee will review these issues and make periodic reports and recommendations thereon to the full Board. The review shall include, but not be limited to, specific plans and objectives that are to be implemented and maintained by the Company.

3. While the LD&C Committee is responsible for reviewing the Company's plans for management succession, the CEO shall annually report to the Board on the succession plan for the top five (5) officer positions.

**D. Specific Approval**

While the CEO and management are given the usual discretion in the operation of the Company, the Board believes that any material investments or other plans, including the formation of new subsidiaries, not included in the strategic plan, should receive prior Board approval.

**E. Stock Ownership Guidelines for Executives**

The Board believes that executives of the Company should maintain a material personal financial stake in the Company to promote a long-term perspective in managing the enterprise and to align shareholder and executive interests. The Board shall set guidelines regarding the amount of Company common stock each officer shall be required to own. The current policy is that the officers of the Company shall own shares of Company common stock with a total share value as set forth below (required common stock ownership amount is determined as a multiple of the officer's base salary):

<b><u>Position</u></b>	<b><u>Minimum Common Stock Ownership Requirement</u></b>
<b>Chief Executive Officer</b>	5 x Base Salary
<b>Named Executive Officers<sup>1</sup></b>	3 x Base Salary
<b>Other Officers</b>	1 x Base Salary

Until an officer achieves the minimum stock ownership guidelines described above, he must retain 100 percent of all shares of Company common stock that he owns and 50 percent of all shares vested (after tax) after the effective date of this policy, which is August 13, 2013.

Compliance with these guidelines will be determined annually using the closing price of the Company's Common Stock on the last day of the fiscal year (or the last

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<sup>1</sup> Named Executive Officer is a term defined by Item 402(a)(3) of Regulation S-K promulgated by the SEC.

trading day). Once the minimum ownership threshold is achieved, sufficient shares must be retained by the officer to meet the minimum stock ownership requirement continuously throughout the year.

For the purposes of determining ownership levels, the following forms of equity interests in the Company count toward the stock ownership requirement:

- Shares held outright by the officer, whether acquired through open market purchase, vesting of equity awards received under the Company's 2007 Stock Award and Incentive Plan (or any successor plan), or purchased through the Company's Direct Stock Purchase and Dividend Reinvestment Plan.
- Shares of unvested restricted stock received under the Company's 2007 Stock Award and Incentive Plan (or any successor plan).
- Shares of unvested deferred retention stock or deferred stock units received under the Company's 2007 Stock Award and Incentive Plan (or any successor plan).
- Shares held in a 401(k) plan.

Exceptions to these stock ownership and holding requirements may be made at the discretion of the LD&C Committee if compliance would create severe hardship or prevent an officer from complying with a court order.

The Board shall review this policy and revise it as the Board deems appropriate.

#### **F. Hedging and Other Prohibited Insider Transactions**

The Company considers it improper and inappropriate for any director to engage in short-term or speculative transactions in the Company's securities. Therefore, directors may not engage in any of the following transactions:

1. **Publicly Traded Options.** Publicly traded options generally are instruments in the form of options (puts, calls, etc.) used for hedging and similar transactions that are publicly traded, and do not include the options to buy Company stock issued by the Company to its directors. A transaction in publicly traded options is, in effect, a bet on the short-term movement of a company's stock and therefore creates the appearance that the director is trading based on inside information. Transactions in these options also may focus the director's attention on short-term performance at the expense of the Company's long-term objectives. Accordingly, transactions in puts, calls or other derivative securities involving Company securities, on an exchange or in any other organized market, are prohibited.

2. **Hedging Transactions.** Certain forms of hedging or monetization transactions (such as zero-cost collars, forward sale contracts, equity swaps and exchange funds) allow a holder to lock in much of the value of his or her stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions allow the director to continue to own the covered securities, but without the full risks and rewards of ownership. When that occurs, the director may no longer have the same objectives as the Company's other stockholders. For these reasons, hedging or monetization transactions involving Company securities are prohibited.
3. **Margin Accounts and Pledges.** Securities held in a margin account may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. Because a margin sale or foreclosure sale may occur at a time when the pledgor is aware of material, nonpublic information or is otherwise not permitted to trade in Company securities (based on Section 16 of the Securities Exchange Act of 1934, which prohibits "short-swing" trading by insiders or otherwise), directors are prohibited from holding Company securities in a margin account or pledging Company securities as collateral for a loan.

**G. Compensation Recoupment Policy**

The Compensation Recoupment Policy attached hereto as Exhibit C applies to performance-based cash or equity compensation paid or awarded by the Company.

**H. Annual Board Evaluation**

The Board shall conduct an evaluation of its performance on an annual basis. The Board shall have the authority to retain advisers or consultants and to provide for their compensation by the Company, as it shall deem appropriate to assist in designing and implementing such evaluation.

**I. Management Succession**

It shall be the responsibility of the LD&C Committee to develop and recommend for Board approval policies and procedures for CEO selection. Among other things, these policies shall provide for emergency interim succession in the event the CEO is incapacitated for any reason. The LD&C Committee has recommended and the Board has approved policies and procedures for CEO succession, including emergency interim succession.

## **COMMUNICATING WITH NON-MANAGEMENT DIRECTORS**

### **POLICY**

New Jersey Resources Corporation and its subsidiaries (the “Company”) are committed to conducting its businesses with integrity and in an ethical manner. This procedure offers the public and employees alike the opportunity to communicate directly with the non-management directors of the Company. Consistent with the Company’s Code of Conduct, any employee who in good faith reports any concerns to the non-management directors will not be punished or retaliated against in any way.

### **PROCEDURE**

#### **Methods of Communication**

Members of the public as well as employees may contact non-management directors by calling **Ethicspoint, Inc.**, a toll-free hotline service at **1-866-384-4277**. Ethicspoint is an outside agency not affiliated with the Company whose trained, professional personnel will take the call 24 hours a day, 7 days a week, 365 days a year. You may also communicate by E-mail to **www.ethicspoint.com**. No matter the method of communication, if you decide it should be treated on an anonymous, confidential basis, your request will be strictly honored. While you will not be asked to identify yourself, you will be assigned a unique “Report Key” and asked to create your own password. Once your report is received you will be advised of a date to check back and find out what has been done regarding the communication. The Report Key and password will be necessary for you to check on the status of your report and to respond to any questions that may come up during any investigation.

#### **Reviewing the Communication**

All communications received by Ethicspoint, Inc. will be forwarded to the Lead Director or the designated representative (each the “Director Representative”), by the next business day. A reply, if deemed necessary, will be provided as soon as practicable.

#### **Conducting an Investigation**

All appropriate matters will be promptly investigated by one or more of the General Counsel, Vice President of Internal Audit, Chief Financial Officer and Vice President, Human Resources (the “Team”), as the Director Representative deems appropriate. Follow-up questions to the person filing the report will be possible via the unique case number assigned by the hotline service, and only persons who may reasonably be thought to have information beneficial to the investigation will be interviewed. Relevant documents and records will be reviewed.

If a report is referred to the Team, the Team will conduct its investigation and notify the Director Representative of the results as quickly as possible. If necessary, the Director Representative may authorize the use of independent experts to assist in the investigation. If the Director Representative agrees that the investigation is completed, the person who made the report will be promptly informed of the results and any actions taken via the unique case number. If the Director Representative requires additional information, the Team will conduct whatever additional investigation is necessary and then proceed as stated above.

#### **Reporting to the Non-Management Directors**

All communications will be reviewed with all non-management directors at the next succeeding non-management directors only meeting. Depending on the nature of the communication, the Director Representative may discuss the matter with the other members of the Board of Directors or non-management directors as the Director Representative deems appropriate or convene a meeting of such directors immediately.

#### **Procedure Assessment**

The non-management directors shall assess the effectiveness of this procedure on an annual basis and make whatever revisions or amendments deemed appropriate.

### **Notice**

This procedure shall be posted on the Company's website. Additionally, all employees of the Company will be notified of this procedure as soon as practical following its approval by the Board of Directors and, thereafter, will be reminded during annual Code of Conduct training.

### **Questions**

Any questions regarding this procedure should be addressed to the General Counsel at 1415 Wyckoff Road, Wall, New Jersey 07719 or by calling 732-938-1489. E-mails are welcome as well at [mdugan@njresources.com](mailto:mdugan@njresources.com).



**Lead Director Responsibilities**

The specific responsibilities of the Lead Director shall be as follows:

- Ensure that the Board and its Committees function independently of management of the Company;
- Chair Board meetings when the Chairman is not present or when there is a potential conflict;
- Confer with the Chairman to develop the agenda for the Board meetings and schedules for the Board and Committee meetings;
- Evaluate and oversee with the Chairman the quality, quantity and timeliness of the information submitted by the Company's management to the independent directors;
- Retain advisors and consultants at the request of the independent directors;
- Call meetings and set agendas for executive sessions of the independent directors;
- Act as a liaison between the independent directors and the Chairman and senior management;
- Confer with the NCG Committee Chair and the Chairman as to the membership of the various Committees and Committee chairs;
- Coordinate with the NCG Committee Chair and the Chairman in the performance evaluation of the Board and its Committees;
- Coordinate with the NCG Committee Chair in the performance evaluation of the Chairman; and
- Perform such other duties and responsibilities as may be delegated to the Lead Director by the Board from time to time.

**Compensation Recoupment Policy**

**(Effective September 16, 2015)**

This Compensation Recoupment Policy (the “Policy”) applies to Performance-Based Compensation paid or awarded by New Jersey Resources Corporation (“NJR”) after the effective date of the Policy.

For purposes of the Policy, the following definitions will apply:

**“Financial Reporting Measure”** means any measure that is determined and presented in accordance with the accounting principles used in preparing NJR’s financial statements, any measures derived wholly or in part from such financial information, and NJR’s stock price and total shareholder return.

**“Performance-Based Compensation”** means any compensation that is granted, earned or vested based wholly or in part on the attainment of any Financial Reporting Measure. Performance-Based Compensation does not include compensation earned solely upon (i) discretion, (ii) subjective standards, (iii) time and/or (iv) satisfying one or more strategic or operational measures. Examples of non-Performance-Based Compensation, include, but are not limited to: (a) salary, (b) discretionary bonuses (*however*, the exercise of negative discretion with respect to a bonus that is otherwise based on attainment of a financial measure will not be considered discretionary for this purpose), (c) cash or equity-based time-based awards and (d) cash or equity-based awards based solely on strategic or operational measures.

**“Covered Employee”** means any recipient of Performance-Based Compensation from NJR.

**“Executive Officer”** means any officer of NJR or its subsidiaries who the NJR Board of Directors (“NJR Board”) designated as an executive officer who was serving as an Executive Officer at any time during the performance period relevant to the Performance-Based Compensation.

**“Material Financial Restatement”** occurs when previously publicly disclosed financial statements of NJR are subsequently restated due to material non-compliance with any financial reporting requirements under applicable securities laws, as determined in the sole discretion of the NJR Board, and will exclude any restatement required due to changes in accounting rules or standards or changes in applicable law. The NJR Board will take into consideration any applicable interpretations and clarifications of the Securities and Exchange Commission (“SEC”) in determining whether a financial restatement qualifies as a Material Financial Restatement for purposes of this Policy.

**“Excess Compensation”** is defined as the difference between the actual amount of Performance-Based Compensation received by the Executive Officer or Covered Employee and the amount of such compensation such Executive Officer or Covered Employee would have received based on the Material Financial Restatement, in the sole determination of the Leadership Development and Compensation Committee of the NJR Board (“LDCC”), which will be final and binding on the Executive Officer or Covered Employee.

The Policy applies to Performance-Based Compensation that was received by an Executive Officer or Covered Employee during the three completed fiscal years immediately preceding the date NJR is required to prepare a Material Financial Restatement. Performance-Based Compensation is received in NJR's fiscal period during which the specified Financial Reporting Measure is achieved, even if the payment of such Performance-Based Compensation occurs after the end of that period.

In the event of a Material Financial Restatement, the LDCC will recoup Excess Compensation from (1) any person serving as an Executive Officer (current or former) at any time during the performance period relevant to the Performance-Based Compensation, regardless of whether the Executive Officer engaged in misconduct or was otherwise directly or indirectly responsible, in whole or in part, for the Material Financial Restatement and (2) any Covered Employee who the LDCC determines was directly responsible for the Material Financial Restatement. The LDCC is not required to recoup Excess Compensation if it determines that pursuing such recovery would be impracticable because the direct expense of seeking recovery would exceed the recoverable amounts.

The LDCC may take such actions as it deems necessary or appropriate, depending on all of the facts and circumstances as determined during its review, including: (1) recommending disciplinary actions to the NJR Board, up to and including termination and/or (2) the pursuit of other available remedies.

Any determination, modification, interpretation or other action by the LDCC pursuant to the Policy will be made and taken by a vote of a majority of its members. The LDCC has the sole authority to construe, interpret and implement this policy, make any determination necessary or advisable in administering the Policy, and modify, supplement, rescind or replace all or any portion of the Policy.

**Sarbanes-Oxley.** For the avoidance of doubt, compensation recovered pursuant to Section 304 of the Sarbanes-Oxley Act of 2002, in the event applicable, will be credited towards any amounts owed pursuant to this Policy.

**Audit Committee.** The LDCC, may, to the extent necessary, collaborate with other committees of the Board, such as the Audit Committee, in making determinations under the Policy, including, with respect to whether a restatement qualifies as a Material Financial Restatement.

**Acknowledgement by Covered Employee.** NJR shall provide notice and seek written acknowledgment of this Policy in the form of Annex A from each Covered Employee as soon as practicable after the later of (i) the Effective Date and (ii) the date on which the person is designated as a Covered Employee, provided that failure to obtain such acknowledgement shall have no impact on the enforceability of this Policy.

**Modifications.** To the extent permitted by, and in a manner consistent with, applicable law, SEC and NYSE rules and regulations, the LDCC reserves the power to terminate, suspend, revise or amend this Policy. If and to the extent that any modifications to this Policy are determined to be necessary to comply with applicable law, such revisions shall be deemed to be effective as of the date so required.

**Validity and Enforceability.** The provisions in this Policy are intended to be applied to the fullest extent of the law. To the extent that any provision of this Policy is found to be

unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to applicable law. The invalidity or unenforceability of any provision of this Policy shall not affect the validity or enforceability of any other provision of this Policy.

This Policy is intended to comply with, shall be interpreted to comply with, and shall be deemed automatically amended to comply with, Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as it may be amended from time to time, and any related rules or regulations promulgated by the SEC or the NYSE, including any additional or new requirements that become effective after the Effective Date. Any such amendment shall be effective at such time as is necessary to comply with Section 10D of the Exchange Act and NYSE listing standards.

**Annex A**

**ACKNOWLEDGEMENT, CONSENT AND AGREEMENT**

I acknowledge that I have received and reviewed a copy of the New Jersey Resources Corporation (the “Company”) Compensation Recoupment Policy (as may be amended from time to time, the “Policy”) and agree to be bound by and subject to its terms and conditions for so long as I am a “Covered Employee” under the Policy. I further acknowledge, understand and agree that, as a Covered Employee, the Policy could affect the compensation I receive or may be entitled to receive from the Company or its subsidiaries under various agreements, plans and arrangements with the Company or its subsidiaries.

Signed: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_