

- SJI Corporate Governance Guidelines

- Mission of SJI's Board of Directors

- The Board of Directors, which is elected by the shareholders, is the ultimate decision-making body of the company except with respect to those matters reserved to the shareholders. The Board selects the senior management team, which is charged with conduct of the company's business. Having selected the senior management team, the Board acts as an advisor and counselor to senior management and ultimately monitors its performance. From time to time, the office of Chairman/Chief Executive Officer is separated and filled with two individuals. At those times, references in these Guidelines to Chairman and Chief Executive Officer will mean both individuals.

1. Selection and Composition of the Board

- Board Membership Criteria

- The Governance Committee is responsible for reviewing with the Board on an annual basis the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board and the company's strategic forecast. This assessment includes issues of industry experience, education, general business and leadership experience, judgment, diversity, age, and other applicable and relevant skills as determined by an assessment of the Board's needs at that point in time.
- It is the company's policy that the Board consists of a majority of outside directors who are independent directors as defined by the rules of the New York Stock Exchange, and free from any relationship that, in the Board's opinion, would interfere with the exercise of his or her independent judgment as a Board member.
- It is the company's policy that Board members may not serve on more than four other boards of publicly traded companies. In addition, consistent with NYSE rules, if an audit committee member simultaneously serves on the audit committees of more than three public companies, the Board must determine that such simultaneous service would not impair the ability of such member to effectively

serve on the company's audit committee and the company will disclose such determination in the annual proxy statement. In advance of accepting an invitation to serve on a for-profit (public or private), government-related or regulatory board, Board members shall advise the Board Chairman of the invitation to serve so that a determination can be made regarding conflicts of interest and compliance with these Guidelines and any applicable laws or regulations. This process shall be implemented by the Governance Committee. The Governance Committee will report the results of the determination to the Board.

- Any former Chief Executive Officer's board membership is a matter to be decided in each individual instance depending on the facts and circumstances of each case. Whether the individual continues to serve on the Board is a matter for discussion at that time with the new Chief Executive Officer and the Board.
- Size of Board and Selection Process
 - It is the company's policy that the number of Directors shall be set forth in Article II of the company bylaws and not exceed a number that can function efficiently as a body. The Governance Committee, in consultation with the Chairman and CEO, considers and makes recommendations to the Board concerning the appropriate size and needs of the Board. The Governance Committee considers candidates to fill new positions created by Board expansion and vacancies that occur by resignation, by retirement or for any other reason. When a Director's principal occupation or business association changes substantially during his or her tenure as a Director, that Director shall tender his or her resignation for consideration by the Governance Committee. The Governance Committee will recommend to the Board the action to be taken with respect to the resignation.
- Term
 - Pursuant to the company's By-laws, each member of the Board will be elected by the shareholders for one year and will serve until his/her successor has been elected, (except in the instance of filling an unexpired term or when the

number of directors is increased prior to the Annual Meeting of Shareholders).

- There is no limit on the number of terms a director may serve, except that no director may stand for election beyond his/her 72nd birthday, except in special cases in which the unique expertise and skill of a director are needed by the Board. A board member asked to stand for election to the Board beyond his/her 72nd birthday will serve for no more than the term to which he/she is elected.

2. Board Training and Orientation

- The Board authorizes and directs management to continue the orientation process for new Board members to include background information on the company and the industry. Such orientation should include but not be limited to a review of the Company Code of Ethics, the policy regarding trading in company stock, Board compensation, meetings with senior management, and visits to various company facilities.
- Board members shall have available to them resource materials that are supplemented and periodically updated. The resource materials shall include the By-laws, Board committee charters, Code of Ethics, Policy on the Purchase and Sale of Company Securities, company locations and other pertinent information on the Board, Management, and organizational structure of the company and each of its functioning subsidiaries.
- Funds shall be set aside by the Board on an annual basis for the continuing education of its sitting directors. Each Director shall attend at least one education activity per year, including one external continuing education seminar, class and/or conference on the topic of corporate governance and the utility/energy industry, and other courses designed for directors of publicly traded companies.

3. Board Decision Making and Participation

- It is the company's general policy that all major decisions be considered by the Board as a whole. As a consequence, the Board's committee structure is limited to those committees considered to be basic to or required for the operation of a

publicly owned company. Currently these committees are the Executive Committee, Audit Committee, Compensation Committee, Governance Committee and Corporate Responsibility Committee. Members of these committees are recommended to the Board by the Governance Committee. The Audit Committee, Compensation Committee and Governance Committee comprise only outside independent Directors. Except for the Executive Committee, membership on these committees shall be rotated from time to time. The composition of the Executive Committee is as set forth in Section 9 below.

- The Board's independent Directors will meet in Executive Session at least two times each year. Executive Sessions will be chaired by the Chairman of the Board if not the CEO or by the Lead Independent Director. A discussion with the Chief Executive Officer shall follow each such session.
- Board members are expected to attend and participate in all meetings of the Board and committees on which they serve. When attendance in person is impossible, every effort should be made to attend via telephone or video conference.
- The CEO and /or employee(s) designated by the CEO are the official company spokespersons. No outside Board member shall represent him/herself as spokesperson to investors, media or others without prior request from the CEO or his/her executive designee.

4. Compensation Review

- Board compensation should be both cash and stock-based. Total compensation should be comparable to that paid to boards included in compensation studies that are performed by independent external compensation consultants selected by the Board.
- It is the responsibility of the Governance Committee, in consultation with its independent executive compensation consultants, to review and approve the total Board compensation package annually to ensure that the compensation is competitive so that the Company may attract and maintain quality Board members.
- It is the responsibility of the Compensation Committee, in consultation with its independent compensation consultants, to administer the executive compensation program.

- The Board of Directors supports the belief that significant ownership of SJI common stock better aligns the interest of the Board of Directors with that of SJI shareholders. Therefore, the Board of Directors has enacted the following stock ownership requirements for directors:
 - Members of the Board of Directors shall, within six years of joining the company's Board, South Jersey Gas or South Jersey Energy Solutions, LLC, own shares of SJI Common Stock with a market value equal to a minimum of five times the current value of the Board's annual cash retainer for Board service.
 - Shares owned outright will be combined with restricted shares awarded as part of the annual stock retainer for the purpose of meeting these requirements

5. Board's Performance Assessment

The full Board shall annually conduct an assessment of the Board's performance. The company, through the office of the General Counsel and Corporate Secretary, shall contract with an external consultant who shall facilitate the annual assessment. This assessment should be of the Board's contribution as a whole and specifically review areas in which the Board and/or management believes a better contribution could be made. Its purpose is to increase the Board's effectiveness.

6. CEO Performance Evaluation

The Board is responsible for setting annual and long-term performance goals for the CEO and for evaluating his or her performance against such goals. The Board determines the CEO's annual bonus using pre-approved objective performance goals. The Board also rates the CEO's overall performance using both quantitative and qualitative measures. This process is designed to: create the opportunity for structured dialogue between the Board and CEO regarding CEO performance; provide feedback so that the CEO can grow in his ability to create business value and success for SJI and; serve as input for executive development and succession planning. These processes are implemented by the Compensation Committee.

7. Meeting Procedures

- The Chairman, CEO and the Lead Independent Director will establish the agenda for each Board meeting. Each Board member is free to suggest the inclusion of item(s) on the agenda.
- It is the desire of the Board to receive company business information and data important to the Board's understanding of the business in writing at least five business days before the Board meets.
- As a general rule, presentations on specific subjects should be sent to the Board members well in advance so that Board meeting time may be conserved and discussion time focused on questions about the material. On those occasions in which the subject matter is too sensitive to put on paper, the presentation will be discussed at the meeting.
- As additional resources on company matters, Board members shall have free access to all members of the company's senior management team.

8. Meeting Attendance and Preparation

- Directors have a responsibility to participate actively in overseeing the company's activities. Directors are expected to attend regularly scheduled Board meetings and the annual shareholders meeting. Regular attendance at Board meetings and Board committees is a requirement for acceptable director performance. The Board encourages in-person attendance at all meetings. When attendance in person is impossible, every effort should be made to attend via telephone or video conference.
- Directors are expected to have thoroughly reviewed all materials distributed to the Board prior to Board meetings, giving special attention to all matters to be acted on (such as financial statements, minutes or proposals).
- A director can make a valuable contribution through focused and full discussion of and relevant inquiry into management's proposals. Any questions that occur to a director should be raised and discussed. Directors are encouraged to make independent inquiries on matters of concern and to register objections when needed.

9. Committee Structure and Functioning

- Except for required meetings, the frequency, length and agenda of committee meetings are determined by the committee chair. Sufficient time to consider the agenda items should be provided. Materials related to agenda items are provided to committee members sufficiently in advance of meetings to allow members to be prepared for meaningful discussion of those items at the meeting.
- Responsibilities of each committee are determined by the Board from time to time and detailed in committee charters. The Governance Committee shall coordinate this review and approval process with the Committees.
- Executive Committee members shall be the Chairman of the Board, Chairman of the subsidiary boards, CEO, the Lead Independent Director, and the chairmen of the Audit, Compensation, Corporate Responsibility and Governance Committees. The Chairman of the Board shall serve as the Chairman of the Executive Committee.
- Committee Chairs shall be approved by the full Board. In selecting Chairs, consideration should be given to such factors as an individual's expertise, experience in relevant areas, knowledge of the company, ability to devote time required and other factors that are relevant at the time.

10. Succession Planning

- The Board is responsible for assuring a qualified, knowledgeable management team is in place to lead the company's operations. To that end, the Board engages in an Executive succession planning process to match company needs with management and leadership traits required to address those needs.
- The position of CEO is the primary focus for direct Board participation. The CEO annually provides the Board with an assessment of senior managers and of their potential to succeed him or her. He or she also provides the Board with an assessment of persons considered potential successors to all other senior management positions. The full Board shall be responsible for this process.

11. Lead Independent Director

- The Lead Independent Director shall be an independent member of the Board elected annually by a majority of the full Board. The Lead Independent Director shall preside over all meetings of the Board's independent directors and non-management Directors. The Board shall conduct at least two meetings or executive sessions of the non-management Directors annually and at least one meeting or executive session of the independent Directors annually. The Lead Independent Director shall consult with the Chairman and CEO on agenda matters for the Board.
- The role of the Lead Independent Director shall be to aid and assist the Chair and the remainder of the Board in assuring effective corporate governance in managing the affairs of the Board and the company. The Lead Independent Director shall be an independent Board member and must be able to effectively work closely with, and in an advisory capacity to, the Chair and be able to objectively discuss and relay the Board's concerns.
- Duties and Responsibilities
 - Chair all meetings of the Board's independent directors and may attend all Board and Committee meetings.
 - Provide input to the Board Chair and Corporate Secretary on the preparation of agendas for Board and Committee meetings.
 - Chair Board meetings when the Board Chair is unavailable or when there is any potential conflict of interest.
 - The Lead Independent Director shall be available as a resource to consult with the company's Chair and Corporate Secretary and other Board members on corporate governance practices and policies, and shall assume the primary leadership role in addressing issues of this nature if, under the circumstances, it is inappropriate for the Chair to assume such leadership.
 - The Lead Independent Director will communicate with the Board Chair and the entire Board, as appropriate, the results of private discussions among outside directors or the results of meetings of the independent directors.

12. Periodic Review

- These guidelines shall be reviewed by the Board annually.

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