
CORPORATE SUSTAINABILITY REPORT

2016 / 2017



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OUR SUSTAINABILITY VISION AND VALUES

Sustainability is more than just making the choice to become sustainable. At South Jersey Industries, we believe it is living that choice each day, and weighing each area of our business to assess its impact on stakeholders, and on the long-term economic and environmental viability of the communities where we live and work.

SJI is committed to being a valued, supportive and respectful corporate citizen. We are proud to be an energy provider for more than 380,000 customers in our natural gas utility, as well as for thousands of customers served through our non-utility businesses. We're excited for the opportunity to welcome new customers and employees into the SJI family, once we complete the transformational acquisition and integration of Elizabethtown and Elkton Gas Companies. And we take seriously the responsibility that comes with a commitment to sustainability.

This is our ninth-annual Corporate Sustainability Report and within it we continue to highlight both business and social responsibility results in driving our strategic priorities. These outcomes, pursued with a consistent focus on safety, diversity, corporate governance, environmental stewardship, and social investment, also represent our opportunity to deliver exceptional service to our customers.

We are fortunate that our industry allows us to offer a variety of sustainable energy solutions for customers – solutions that mitigate the customer's environmental footprint and resource demand, while still being economically advantageous. We take our responsibility one step further—encouraging consumers to change their mindsets around energy usage, providing training to students for skilled jobs in the energy industry, and supporting the communities where we live and work, both through financial and time commitments. We do all this while also growing the value of an investment in SJI for our shareholders.


Reaching our corporate objectives, and doing so sustainably, is truly a team effort, from employees, to leadership, to our Board of Directors, I am grateful to each of these groups and I am thankful for their respective commitment to the customers who turn to us each and every day. It is for them, and for their families and their businesses, that we continue down the path toward sustainability.

Michael J. Renna
President and CEO
South Jersey Industries

Corporate Sustainability Report Highlights


About SJJ

 **754**
Employees
in 2016


6,592 Miles
of Utility and
Distribution Mains

 Serves **70%**
of the homes and
businesses in our
service territory

Growth


 Serving
approximately
381K
utility customers

 **\$102.8M**
in Economic
Earnings in 2016

 **11**
Fuel Supply
Management
Contracts Signed


Fueling the Economy


 **\$1.9B**
Planned Capital
Investment
2016-2020

 Proposed accelerated
infrastructure investment
of nearly
\$413M
through 2021

 **\$147M**
Supplies and Services
from NJ based companies

Energy at Work

117
 **=** **775 Tons**
of Reduced
Green House Gas
Emissions in 2017

 **40% Fewer**
excavation
damages
since 2012

 **\$702K** in
Contributions
to Sustainable Jersey
between 2013-2017

Engaging Stakeholders

 **Interns from**
14 colleges
in 2017

\$1,000 grants awarded to
20 First Responders
Organizations
in 2017

 **52%**
Diverse
Workforce

ABOUT SOUTH JERSEY INDUSTRIES

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ABOUT SOUTH JERSEY INDUSTRIES

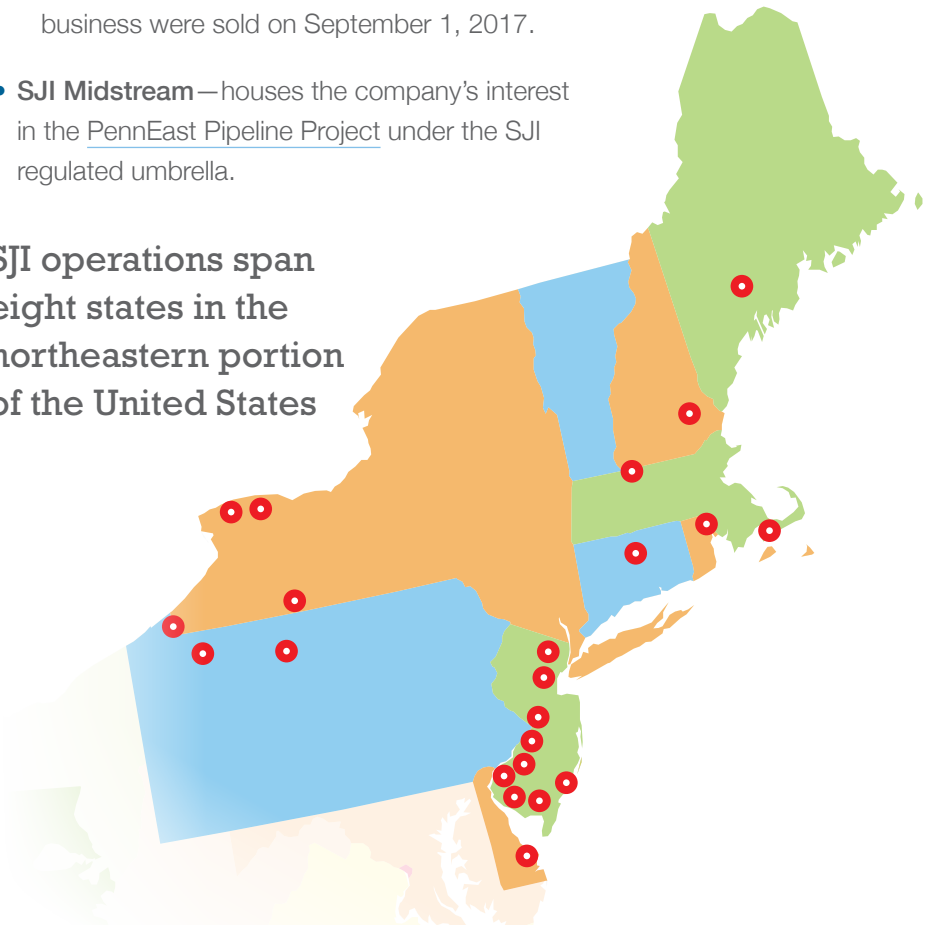
South Jersey Industries (SJI) is a customer-focused, energy services company providing expertise and resources that meet the diverse energy needs of our region's residents, businesses, schools, hospitals, and more.

We do this through three primary subsidiaries:

- **South Jersey Gas (SJG)** – delivers safe, reliable, affordable natural gas and promotes energy efficiency to more than 381,000 residential, commercial, and industrial customers in the seven southernmost counties of New Jersey. In 2016, SJG contributed nearly 67 percent of SJI's Economic Earnings.
- **South Jersey Energy Solutions** – promotes efficiency, clean energy technology and renewable energy through a group of non-utility businesses:
 - **South Jersey Energy (SJE)** – acquires and markets natural gas and electricity for retail customers in New Jersey and offers innovative, environmentally friendly commercial and industrial energy services to help customers control energy costs.
 - **South Jersey Resource Group (SJRG)** – provides wholesale marketing, natural gas transportation, storage, and commodity services, as well as fuel supply management for merchant electric generation facilities.

- **Marina Energy** – owns and operates energy projects for commercial and industrial markets that include thermal facilities, cogeneration facilities, solar installations, and landfill gas-to-electric facilities.
- **South Jersey Energy Service Plus (SJESP)** – serviced residential and commercial heating, air conditioning and water heating systems, appliances, and provided plumbing services. SJESP's residential HVAC and plumbing contractor operations business were sold on September 1, 2017.
- **SJI Midstream**—houses the company's interest in the PennEast Pipeline Project under the SJI regulated umbrella.

→ SJI operations span eight states in the northeastern portion of the United States



SJI is headquartered in Folsom, NJ and employs over 750 people in a variety of roles. The company is publicly traded on the New York Stock Exchange under the trading symbol SJI.

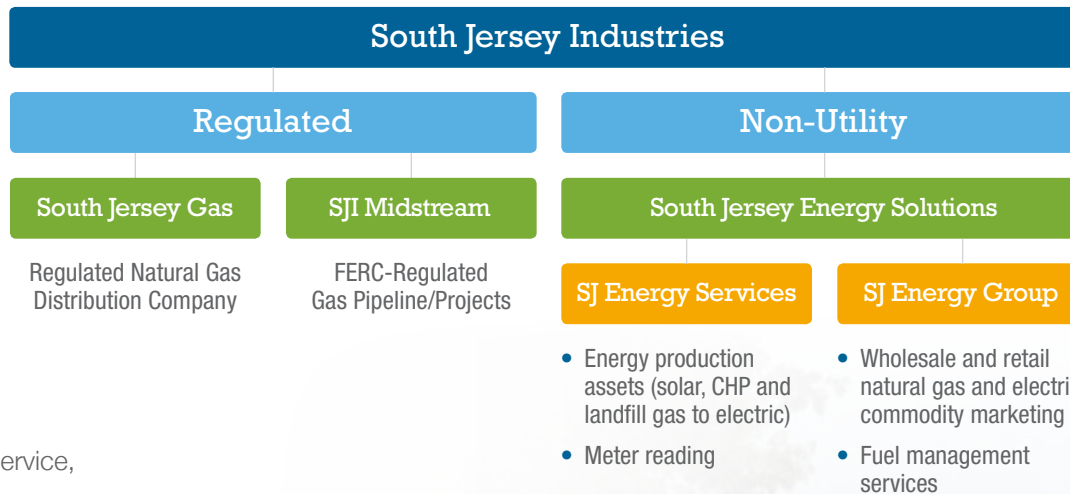
Guiding principles:

- Our top priority is conducting our operations while protecting the safety of our customers, employees and the communities we serve.
Learn more in the Environmental Health and Safety section. ➔
- We are committed to providing customers exceptional service, without compromise and without exception.
Learn more in the Voice of the Customer section. ➔
- SJI provides an inclusive and diverse workplace where employees are empowered to fuel their professional future.
Learn more in the Engaging Stakeholders section. ➔
- Our company has a long history of investing in the community to create a positive impact.
Learn more in the Community section. ➔

Corporate Governance

SJI is governed by a 10-member Board of Directors, nine of whom are not SJI employees. Our Board of Directors, elected by the shareholders, is the company's ultimate decision-making entity, except matters reserved for shareholder consideration.

The Board includes Michael J. Renna (SJI President and CEO), Walter M. Higgins III (Chairman), Sarah M. Barpoulis, Thomas A. Bracken, Keith S. Campbell, Victor A. Fortkiewicz, Sheila Hartnett-Devlin, Sunita Holzer, Joseph M. Rigby, and Frank L. Sims.



There are seven standing committees of the Board: the Audit Committee, the Compensation Committee, the Corporate Responsibility Committee, the Executive Committee, the Risk Committee, the Strategy and Finance Committee, and the Governance Committee. A listing of Board members with their length of membership and committee participation is online at www.sjindustries.com/about-sji/board-of-directors.

SJI's ninth Corporate Sustainability Report focuses on the progress and achievements made in 2016 and 2017. Its contents were produced under the guidance of the Corporate Responsibility Committee of the SJI Board of Directors.

During this period, the Board's Corporate Responsibility Committee was comprised of four Directors. The Committee provides oversight, monitoring, and guidance of matters related to corporate and social citizenship, public and legal policy, environmental stewardship and compliance, political activities, sustainability, quality of work life, and economic and social vitality of the communities and markets where we operate.

We welcome your feedback on this report and our programs. To submit your comments by email, send them to CorpCommunications@sjindustries.com.

Sustainability at SJI

According to the American Gas Association, natural gas is the fuel source that provides quality, comfort and convenience to 177 million Americans. Thanks to an unprecedented abundance of domestic natural gas, this cleaner, lower cost, nearby resource is changing the energy industry and our regional economy.

We believe that business success and corporate social responsibility are inseparable. Providing safe, reliable, affordable natural gas must be balanced with safety, diversity, community investments, and environmental stewardship.

South Jersey Gas currently serves over 70 percent of the homes and businesses in our service territory. Natural gas provides our customers with more than warmth on cold days. It dries their clothes, heats their water, and cooks their meals, all while emitting up to 56 percent fewer greenhouse gases than coal for the same amount of electricity.

SJI businesses incorporate strategies and programs that promote sustainability, including:

- [Compressed Natural Gas Vehicles](#) in operations and fueling stations in southern New Jersey
- [Home Energy Reports](#) to help customers reduce consumption
- [Partnerships](#) that reduce redundancies to help conserve resources
- [Community Energy Aggregations](#) for municipalities and residents that provide greater affordability

- [Hundreds of charitable donations](#), including time, community investments, volunteer and in-kind programs
- Investments to revitalize [Atlantic City](#), a key economic base for Southern NJ
- Local creation and distribution of [Liquefied Natural Gas](#) to eliminate trailer transport and ensure ample, reliable, affordable supply.



→ From [AGA Playbook](#). Explore the [Interactive Natural Gas Home](#) at www.naturalgashome.org.

Natural gas emits up to 56% fewer greenhouse gases than coal for the same amount of electricity.

Source: American Gas Association

Compliance & Ethics Program

Affiliate Standards and Identity Theft Training

Affiliate standards govern the interactions between NJ energy utilities and their affiliated companies. NJ energy utilities cannot give an unfair competitive advantage to their affiliated companies. Employees are routinely provided needed training to ensure affiliate standards compliance.

In addition, affiliate Standards training was conducted as part of the [SJI EmpowerU](#) education series.

Identity theft training is conducted to educate and help employees detect, prevent and mitigate identity theft. The employee training identifies “red flags” that are an indication of a potential identity theft.

Employee Hotline

SJI continues to offer employees a confidential, anonymous and safe resource to voice any concerns they may have in the workplace through MySafeWorkplace®. This is a secure incident reporting system used to create a bridge between employees and the company. Available 24/7, 365 days a year via a website or by calling a dedicated hotline, this service handles issues such as ethics violations, theft, fraud, discrimination, harassment, and substance abuse.

Recognition and Awards

Leader of the Year Award

Mike Renna was selected for the 2017 John G. Fitzpatrick Community **Leader of the Year Award** for his long-time commitment to the community and recent involvement in the Atlantic City Gateway Project. The Project includes a new headquarters for South Jersey Gas, a city campus for Stockton University, as well as retail spaces and parking.

SJI is committed to being a valued and supportive corporate citizen, and we are proud to be part of the collaboration with the Atlantic City Development Corporation and Stockton University to help grow and diversify the region’s economy.

– Mike Renna

President and CEO of South Jersey Industries



Pictured (left to right): Dave Robbins, president of South Jersey Gas, Mike Renna, and Mitchell Zitomer, board chair of the Greater Atlantic City Chamber

Leading Infrastructure Project Award

South Jersey Gas received New Jersey’s **Leading Infrastructure Project Award** from the [New Jersey Alliance for Action](#) in recognition of the company’s partnership in the Atlantic City Gateway Project along with Stockton University and the Atlantic City Development Corporation (AC Devco). The award was created to highlight innovative, pioneering and landmark construction initiatives that greatly benefit the state’s economy. As a result of the project, an estimated 194 construction jobs were created.



Partnerships such as ours will diversify Atlantic City’s economy and provide a major step forward to spurring its rebirth.

– Dave Robbins
President of South Jersey Gas

United Way Awards

[United Way of Greater Philadelphia and Southern New Jersey](#) recognized SJL with two awards for its continued efforts in helping the community in June 2017:

- **Leading the Way Award** recognizes contributions by SJL’s leadership and a nearly 20 percent increase in employee donations during the company’s annual Employee Giving Campaign, which raised more than \$106,000. Through employee donations to United Way, the company helps to give residents the resources they need to become stronger and more financially independent.

\$106,650
Raised in Employee
United Way Campaign



Pictured: Lauren Hurtt, Supervisor Public Affairs, United Way Vice President and Regional Executive Director John Emge (left) and former United Way President and CEO Jim Cawley (right).

- **Investing in Impact** was awarded for SJL’s additional contribution to various nonprofits that focus on improving the education, income, health and basic needs of local communities.

Executive Women of New Jersey Award

In October 2016 and 2017, the Forum of Executive Women recognized SJL along with other companies where women directors comprise at least 25 percent of the Board.

In 2017, Executive Women of New Jersey (EWNJ) named SJL on the Seat at the Table Honor Roll, a list of New Jersey-based companies with three or more women on its corporate boards and in the executive ranks. SJL shares this designation with 21 other companies.

FUELING THE ECONOMY

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FUELING THE ECONOMY

South Jersey Industries (SJI) is one the largest employers in southern New Jersey and promotes economic activity through our infrastructure and system investments, as well as through our investments in our people.

To ensure the safety of our customers and the resiliency of our natural gas distribution system, we have made enormous strides in replacing aging infrastructure in our service area and improving the delivery of natural gas to our customers.

Utility operations are spread throughout southern New Jersey in each part of the region. Through our non-utility businesses we also have employees based in Pennsylvania. In 2016, we paid base salaries totaling \$66 million to more than 750 employees, most of whom live in southern New Jersey.

In August 2016, we broke ground on a new utility headquarters in Atlantic City. This new location provides us a state of the art, beachfront workplace while providing a \$40M investment and 200 jobs in Atlantic City.

SJI Financial Performance

Driven by a renewed focus on regulated investments and earnings from high quality, repeatable sources, SJI is committed to growing economic earnings, improving the quality of our earnings, maintaining a strong balance sheet, and maintaining a low to moderate risk profile.

Through June 30, 2017, Economic Earnings were \$62.0 million or \$0.78 cents per share as compared with \$65.7 million and \$0.89 cents per share in the prior year. Results were impacted by warm weather in the winter of 2016/2017, the strategic elimination of investment tax credits from earnings, and a higher share count resulting from our secondary offering in May 2016.

For more information about SJI's 2017 performance to date and the non-GAAP measure of Economic Earnings, please visit the [Investors section](#) of our website.



\$102.8M
in Economic Earnings
in 2016

Infrastructure Investments

Safety is SJG's top priority. And we are focused on using what we've learned from our experiences, as well as the experiences of other utilities, to continually improve our infrastructure and performance.

Like most natural gas utilities in the northeast, we had a significant amount of aging infrastructure within our system.

We invest substantial time and capital to update and maintain the quality and integrity of our gas distribution and transmission system.

Our financial commitment and resources ensure compliance with state and federal system integrity and safety regulations.

The lower price of natural gas from the nearby Marcellus Shale makes this the right time to make these investments without overburdening our customers.

It also makes it the right time to expand the system to meet the needs of the growing number of interested residents and businesses in both unserved and under-served pockets of our service area. Our commitments to new pipeline capacity projects such as [PennEast](#) and our [Cape Atlantic Reliability](#) project to repower the B.L. England generating station will ultimately fulfill those needs. These projects are also critical to further the goals of the New Jersey Energy Master Plan, which includes a need for additional infrastructure in southern New Jersey to support new, gas-fired electric generation.

SJG Capital Programs

Safety and reliability programs ensure that customers receive uninterrupted natural gas service. These programs include compliance and integrity management programs, distribution system upgrades, and maintenance for transmission and distribution pipelines.

In 2016, SJG's total capital spending for all programs reached \$220.9 million.

System Improvements

SJG's two infrastructure improvement programs focused on enhancing the safety, reliability, and resiliency of our natural gas distribution system. Both programs involve partnerships—planning and coordinating activities with town and county officials to minimize disruption for their respective communities. These partnerships are one aspect of our [Stakeholder Engagement](#) strategy which focuses on enhancing the collaboration occurring across SJG's service area.

Our system improvement efforts began in 2009, with our initial capital investment program, which created jobs in support of New Jersey's Economic Stimulus Plan while also improving the natural gas delivery infrastructure. Since then, the NJ Board of Public Utilities (NJBPU) has approved several vital programs, and extensions, to continue our infrastructure progress.



\$1.9B
Planned Capital
Investment
2016–2020



Proposed accelerated
infrastructure
investment of nearly
\$413M
through 2021



6,592 Miles
of Utility and
Distribution Mains

- **Accelerated Infrastructure Replacement Program (AIRP)** focuses on the replacement of aging cast iron and bare steel infrastructure in our distribution system on a fast-tracked timeline.

Due to the success of the first installments of our accelerated program, SJG collaborated with the NJBPU to create an extension that will allow us to replace the remaining cast iron and bare steel in our system. Through this extension, SJG committed to investing an incremental \$302.5 million over a five-year period ending in 2021.

Since 2009,
SJG has replaced
758 miles
of mains
and renewed
45,773 services

The NJBPU's support and approval of these programs has been critical to maintaining the safety and reliability of our system. The accelerated nature of these programs will allow us to replace all remaining bare steel and cast iron in our system within 12 years, as opposed to what would have taken 50 years without such accelerated programs.

- **Storm Hardening and Reliability Program (SHARP)** involved the successful replacement of low-pressure mains and services along the barrier islands in 10 municipalities from Cape May to Atlantic City to fortify against destructive weather events. Between 2014 and 2017, system investments totaled \$103.5 million to upgrade 92 miles of main and 11,000 service lines that lead to residential and business properties. It also created an estimated average of 144 jobs annually.


Coastal Storm Hardening
and Reliability
\$103.5M
Investment
through June 2017

SJG's SHARP focused on coastal regions within our service territory, Atlantic City, Ocean City, Ventnor, Margate, Longport, Wildwood, North Wildwood, Wildwood Crest, Cape May, and West Cape May.

We are extremely proud of our overall system improvements, and that our coastal communities are better protected against future storms and saltwater intrusion.



These improvements could not have been made without the support of the New Jersey Board of Public Utilities, the collaborative efforts of the municipalities, and all those involved in completing this work for South Jersey Gas.

– Dave Robbins
President of South Jersey Gas



Pictured: New Jersey Board of Public Utilities President Richard S. Mroz and Ocean City Mayor Jay Gillian joined South Jersey Gas President Dave Robbins and Senior Vice President Paul Zuccarino in Ocean City on July 31, 2017, to celebrate the successful transition of 92 miles of coastal infrastructure from a low-pressure to a high-pressure system.

Creating LNG Locally

SJG's new natural gas liquefier at our McKee City, NJ facility went through the commissioning process in late-2016 to assure that all systems and components were designed, installed, tested, and operated per the regulated requirements.

The natural gas liquefier, along with other investments, ensure that customers' demand for natural gas can be met during peak periods, such as the winter months.

The McKee City facility now has the capability to draw natural gas from the utility's existing pipeline system, turn it into LNG at extremely low temperatures through the liquefier, store it in an insulated storage tank, vaporize it back to natural gas and inject it into SJG's piping infrastructure as an additional source of supply.

In November 2016, the liquefier tank was filled, allowing it to supplement supplies through the winter to save customers from paying costlier natural gas prices during times of high demand. Due to an unusually mild winter season, draw down was less than anticipated. However, in spring 2016 the storage tank was filled again and performance met design expectations. System injections predominantly support system pressure to SJG's entire customer base with additional natural gas supplies reaching the eastern portions of SJG's service territory.

PennEast Pipeline Project

In support of our commitment to provide reliable, low-cost natural gas, SJG is a partner in the proposed PennEast Pipeline. This critically important project will bring over 1 BCF of affordable natural gas from the Marcellus shale to New Jersey and help us meet the energy needs of our region.

Through a 118-mile underground system, the project will deliver lower gas and electric costs for families and businesses while creating over

12,000 jobs in our region. Federal data shows over half of our state's power generation needs come from natural gas, and the PennEast Pipeline will allow utilities like SJG to better meet demand by accessing natural gas from the nearby Marcellus Shale region, improve reliability, and ensure competitive pricing and price stability.

Cape Atlantic Reliability Project

In February 2017, the Pinelands Commission approved SJG's application for the Cape Atlantic Reliability Project, which will help with the conversion of B.L. England electric generation facility in Upper Township, NJ from a coal-and-oil-fired electric generator to a natural-gas generator. The project also strengthens the pipeline system in Cape May and Atlantic counties, ensuring that natural gas services continue for the 142,000 customers, making them less vulnerable to a service outage. The careful construction of this pipeline will protect and create jobs and provide a meaningful opportunity to significantly reduce air emissions while supporting the state's Energy Master Plan.

SJG worked collaboratively and cooperatively with governing agencies and involved stakeholders in this project for over four years to enable the B.L. England facility to use cleaner, more efficient natural gas to generate locally sourced, lower-cost electricity for residents.



Community Partnerships

As a member of the community, SJL actively supports revitalization, local nonprofits, and business and civic organizations that positively impact customers and the towns in our service area.

Through our social investment programs, we look for ongoing opportunities to enrich communities, protect and preserve our environment, encourage educational programs and careers in technology and science, and promote healthy living.

SJL also fosters a culture of volunteerism in its employees and arranges community service days throughout the year. Details of our community partnerships are provided in our [Engaging Stakeholders](#) section of this report.

Heading Back to our Roots

SJG announced last year that we would be returning our utility headquarters to our original hometown of Atlantic City. Unable to expand our Folsom, NJ headquarters to accommodate our rapidly growing workforce, we needed some additional space. This led to a partnership with Stockton University and The Atlantic City Development Corporation (ACDevco) for what would become the Atlantic City Gateway Project.

Since SJG broke ground on the building in spring 2017, progress has developed quickly. The project will contribute to Atlantic City's rebirth by making it more economically diverse and bringing 200 of our employees into the city each day.



(LEFT) SJL executives Steve Clark, Jeff DuBois, Dave Robbins, and Mike Renna with ceremonial shovels for the Atlantic City Gateway Project. (RIGHT) Mike Renna speaks to guests along with Governor Chris Christie during the groundbreaking ceremony for our new utility headquarters on April 20, 2017.

This project represents a major step forward in supporting the community by helping diversify the city's economy.



More importantly, our commitment and priority focus on customers will continue to improve through innovations supported by a state-of-the-art facility and evolving workforce.

– Mike Renna

President and CEO of South Jersey Industries

Procurement Strategy

It is our policy to encourage and afford opportunities to minority, women, and service disabled veteran-owned businesses. Of the company's \$278 million in purchases during 2016, SJL contributed \$147 million to the local economy by purchasing supplies and services from New Jersey-based companies.

Our utility alone contributed more than \$228 million through vendors and partners in 2016; some of whom qualify for our [Supplier Diversity Program](#). Of note, \$129 million of these funds were spent with New Jersey-based businesses.

These funds were paid to pipeline construction subcontractors, environmental consulting and testing firms, small business owners, traffic control firms, temporary staffing firms, law firms, municipalities for permitting and traffic control, information technology firms, engineering and design entities, pipe and valve distributors, uniform companies, facilities management, and janitorial companies—among many others.


\$278M
Goods and Services
Purchased

The dollars exchanged with vendors through our businesses, as well as the over \$82 million paid in dividends to SJL shareholders in 2016, stimulated significant economic activity and opportunity both within and well beyond southern New Jersey.

EFFICIENCY, COMFORT, AND SAVINGS

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EFFICIENCY, COMFORT, AND SAVINGS

Utility Initiatives for Reducing Customers' Energy Usage

South Jersey Gas (SJG) encourages customers to take steps toward lowering their energy consumption. Through marketing and education materials, we equip customers with energy conscious ideas and energy efficiency programs that guide customers toward conservation.

Our energy efficiency programs, and our partnership in the NJ Clean Energy Program have helped our customers eliminate over 18,643 metric tons of carbon dioxide through avoided usage.

Conservation Incentive Program

In 2006, SJG was one of the first utilities in the country to implement a Conservation Incentive Program. Today, the program continues to encourage customers to use natural gas more efficiently. It benefits both SJG and its customers by eliminating the link between utility profits and the quantity of natural gas sold.

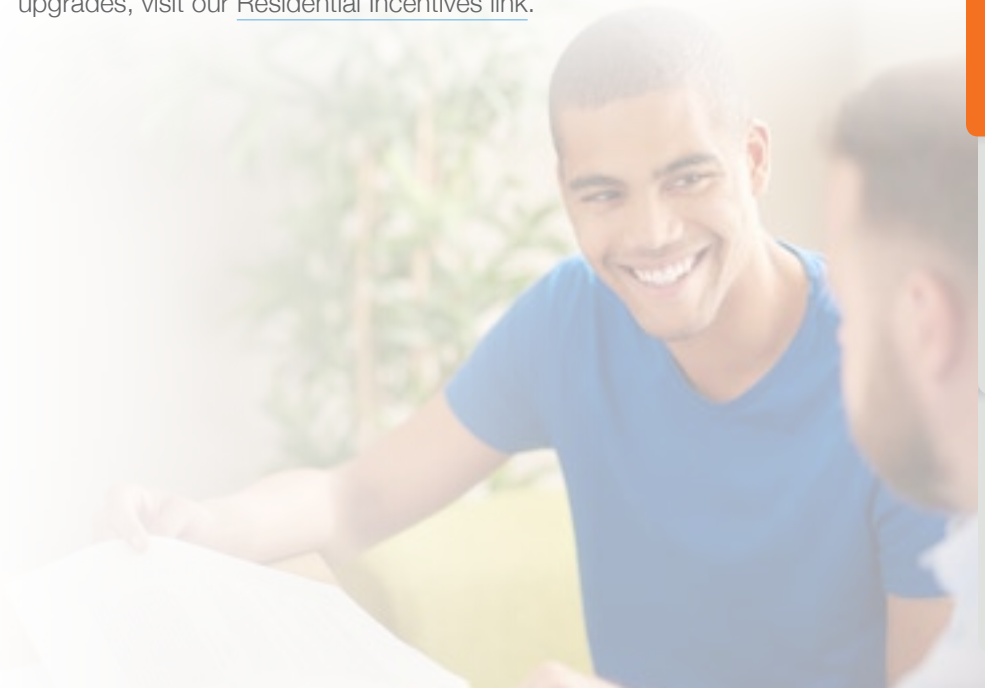
Since inception, customers have reduced their natural gas usage by a total of 72.3 billion cubic feet, enabling them to save \$698 million in energy costs.

Energy Efficiency Programs

SJG offers a series of energy efficiency program incentives, in conjunction with the New Jersey Clean Energy Program (NJCEP), to help customers reduce energy usage and save money while strengthening the local economy. Since 2009, over 13,000 customers have participated in various residential and commercial/industrial rebate and loan offerings to make energy efficiency more affordable.

Most recently, SJG received an extension from the New Jersey Board of Public Utilities' to continue our investments dedicated to enhancing energy efficiency programs through December 31, 2018.

To see what financing or rebate options are available for equipment upgrades, visit our [Residential Incentives link](#).



Comfort Partners

Since 2001, SJG has partnered with the state's other gas and electric public utilities in assisting with the Residential Low Income Program known as Comfort Partners, run by the New Jersey Clean Energy Program (NJCEP).

Over the past 16 years, SJG aided in treating 7,341 homes helping to reduce the high cost of energy by maximizing lifetime energy savings (therms and kWhs) per dollar spent. Through energy education and efficiency and conservation measures, this program aims to improve energy affordability, ensure comfort, and enhance health and safety conditions for lower income households.

Home Energy Reports Using Custom Technology

During 2017, SJG delivered 159,000 home energy reports to customers in partnership with cloud-based software company, Opower. Each personalized report provides our customers with in-depth energy use data and targeted recommendations for controlling their energy consumption.



\$159K Home Energy Reports
to homeowners

Sustainable Jersey

SJG is a partner and major contributor to Sustainable Jersey, a nonprofit group working with communities and their school districts to reduce waste, cut greenhouse gas emissions, and improve environmental quality.



\$702K in Contributions
to Sustainable Jersey
between 2013-2017

Since 2013, SJG has provided Sustainable Jersey with over \$702,000 to support the group's efforts. SJG's involvement supports energy savings and sustainable actions throughout our region.

Public Education and Awareness

SJG's Pipeline Safety Public Awareness Plan educates our stakeholders on pipeline safety. The plan provides outreach and messages to customers, those who live or work near a pipeline facility, emergency officials, public officials, excavators, and employees.

Information is shared with these audiences through special events, bill inserts, direct mailings, news releases, public service announcements, social media, presentations, and more.

In 2016, SJG mailed nearly 9,000 residents and businesses an updated Safety Information Guide with a readership survey to measure its effectiveness. Our response rate increased significantly—232 versus 148 the previous year.



9,000
Safety information guides issued to homes and businesses


SJG personnel are also involved in the Common Ground Alliance. This group raises awareness for infrastructure damage prevention on a national and statewide basis. The “Call Before You Dig” national 811 phone number is regularly promoted in communications efforts.

Our actions have led to fewer damages per thousand mark-out tickets. Since 2012, we have reduced this number from 4.98 to 2.92 in 2016.

Company leaders oversee this plan to ensure compliance with regulations. At regular intervals, evaluations occur to gauge its ongoing effectiveness and identify opportunities for improvement.



**40%
Fewer
excavation
damages
since 2012**

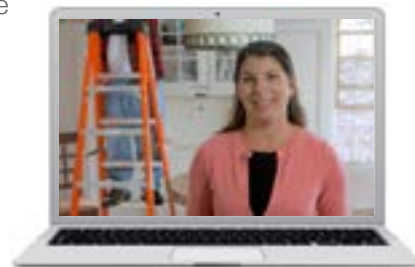


Educational Customer Videos

Videos produced by South Jersey Gas (SJG) show customers how they can easily improve the energy efficiency of their homes.

The videos allow consumers to follow a pair of “do-it-yourselfers” as they attempt to improve their home’s comfort, save money, and use less energy. As their efforts go awry, viewers can see the benefit in taking advantage of zero percent financing to upgrade the efficiency of their natural gas heating equipment or their entire home.

Check out the videos at SouthJerseyGas.com/energysavings.



Proactive Partnerships

Millennium Account Services, LLC, our joint venture with Pepco Holdings, has provided meter reading services to SJG and Atlantic City Electric for the past 17 years. Since the two service territories overlap in many areas, this collaboration provides a cost-effective and environmentally friendly way for the companies to read customer meters.

Millennium employees traveled approximately 907,030 miles across the territory in 2016, while still preventing 1,185,660 pounds of carbon dioxide from escaping into the atmosphere.

In 2016, Millennium implemented a formalized quality assurance program. The goal was to improve the customer’s experience by ensuring the highest quality in safety, daily operations, and employee performance.

Additionally, to ensure the safety of our employees and to increase customer awareness, Millennium made employee uniforms more easily identifiable to customers.

Non-Utility Initiatives to Reduce Customers’ Energy Consumption

Our non-utility businesses remain uniquely positioned to advance New Jersey’s clean energy objectives.

South Jersey Energy Solutions (SJE) works to encourage customers to use energy efficient equipment and measures to reduce energy consumption and simultaneously stimulate the economy through job creation.

The Power of Aggregation

SJE helps lower energy costs for residents and school districts, preserving funds for what matters most in their households and classrooms

- Alliance for Competitive Energy Service (ACES) contract with the New Jersey School Boards Association awarded in 2017
- Seven community 'resident energy aggregation' or municipal contracts awarded over two years

Under the new ACES contract that spans through December 2018, SJE serves roughly 1,600 accounts across approximately 250 school boards.

**\$8.4M
SAVED**
in energy costs
for 250 School Boards
served in New Jersey

Governmental Energy Aggregations

Community Energy Aggregations recently awarded multi-year contracts to SJE:

Hamilton (HCEA)

- Electric supply at 14 percent cost savings
- Typical resident will save approximately \$250
- Aggregate savings estimated at nearly \$7.5 million

Lacey (LCEA)

- Electric supply at 14 percent cost savings
- Typical resident will save approximately \$200
- Aggregate savings estimated at nearly \$2.1 million

Monroe (MTCEA)

- Electric supply at 19 percent cost savings
- Typical resident will save approximately \$420
- Aggregate savings estimated at nearly \$7.5 million

Cleaner Air through Gas Supply to Electric Markets

Fuel Supply Management

Over the last two years, South Jersey Resources Group (SJRG) has solidified its standing as a premier partner in the fuel supply management space. The company matches merchant electric generation facilities with natural gas producers to drive cleaner sourced, more affordable electric generation from the abundant supplies in the Marcellus region.

In 2017, a new multi-year agreement was announced to supply fuel management services for Tyr Energy's Hickory Run energy station. This agreement marks SJRG's 11th contract, and exceeds the 10 contracts needed to support the projected contribution by this business area to the company's Economic Earnings goal for 2020.

Sustainability as a Company-Wide Initiative

Leadership in the Community

SJI executives have joined with more than 80 business, public sector, labor, and academic leaders as part of the Greater Philadelphia Energy Action Team for the second consecutive year. The team works to capitalize on the benefits offered by the Marcellus and Utica natural gas reserves, leveraging the region's energy and manufacturing assets to accelerate economic growth.

SJI representatives have made presentations to community groups during events like the National League of Cities' "City Summit," Chamber of Commerce Southern New Jersey's "Future of Atlantic City" and "Summer Institute for Educators", the Hispanic Business Forum's "Workforce & Supplier Diversity in the Utility Industry," and New Jersey Alliance for Action's "NJ Leading Infrastructure Projects."

Vehicle Programs

Compressed Natural Gas (CNG) for Vehicles

Compressed natural gas (CNG), the cleanest-burning commercially available transportation fuel, is used to improve the air quality and the health of communities across the country. SJG has committed to building an infrastructure for natural gas vehicles in southern New Jersey to promote the use of this environmentally friendly fuel option.

As part of that commitment, SJG has agreed to convert its entire fleet by 2020. We introduced our 117th CNG vehicle in 2017 and plan on adding 33 more vehicles in 2018 for SJG street, utility, and construction crews.

117  **CNG** **Vehicles** = **775 Tons** of Reduced Green House Gas Emissions This Year

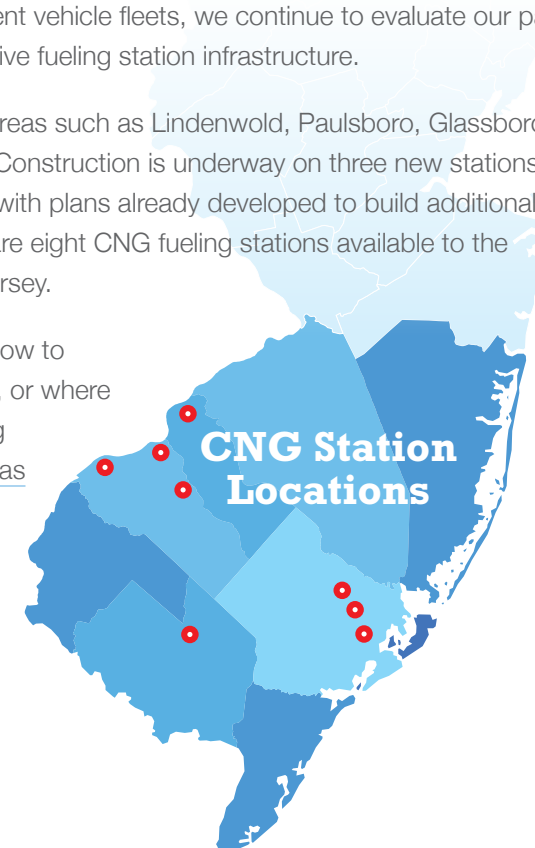
Once fully converted, SJG will have eliminated the use of approximately 457,000 gallons of gasoline per year and will lower our greenhouse gas emissions by 1,139 tons per year. That's the equivalent of taking 219 passenger cars off the road.

CNG Station Expansion

To help make conversion to compressed natural gas possible for more businesses and government vehicle fleets, we continue to evaluate our part in creating a more expansive fueling station infrastructure.

Local fleets can refuel in areas such as Lindenwold, Paulsboro, Glassboro, and Millville, New Jersey. Construction is underway on three new stations in the South Jersey area, with plans already developed to build additional stations. Currently, there are eight CNG fueling stations available to the general public in South Jersey.

For more information on how to convert your fleet to CNG, or where to find your nearest fueling station, visit our [Natural Gas for Vehicles](#) link.



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ENVIRONMENTAL HEALTH & SAFETY

Environmental Health & Safety Goals

Leadership, program management, and a culture of shared beliefs are essential for a successful Health, Safety and Environment (HSE) program. South Jersey Industries' Environmental Health and Safety Committee is comprised of several senior executives who monitor matters that include remediation efforts, regulatory and legislative topics, and HSE performance.

The Committee provides the SJI Board of Directors regular updates about program initiatives and results, and continuously improves HSE performance and measures effectiveness for future program development.

SJI recognizes the importance of the following environmental goals:

- Products and operations comply with or exceed all applicable regulations and requirements.
- Management systems and procedures are specifically designed to minimize the use of hazardous materials, energy and other natural resources, minimize waste generated, and enable recycling and reuse of materials.
- Minimize energy and water usage in our buildings, vehicles, and processes to conserve supplies and minimize our consumption of nonrenewable natural resources.
- Continuous improvement of air, water, noise, and light pollution from our premises and reduction of any impacts from our operations on the environment and local community.



Safety is our top priority, and our training supervisors are one of our greatest assets. They use hands on, real-life industry experience, some from careers that span over 30 years, leveraging knowledge and best practices to provide our employees the training and resources they need to do their jobs safely and correctly.

Kenneth Harrison
General Manager, Training

- Purchase products and services that do the least damage to the environment and encourage others to do the same.
- Offer our customers the most environmentally friendly energy supplies and encourage them to purchase energy-efficient equipment and implement efficiency measures.

SJG Occupational Safety and Health

South Jersey Gas (SJG) based its safety philosophy on six principles:

1. All injuries can be prevented
2. All hazards can be controlled
3. Management is dedicated to preventing injuries and illnesses
4. Safety is a condition of employment
5. Employees must be trained to work safely
6. Preventing injuries is good for everyone

Health and Safety Programs

Steering Committee

SJG Operations’ Safety and Health Strategic Steering Committee leads the development of programs by providing guidance, making decisions and establishing policies that reduce accidents and injuries, and maintain or improve the health of our employees, contractors, and the public.

The Committee serves as a forum to collaborate over safety and health-related topics. In addition, they encourage employees to participate in and adopt a culture of safety.

The Committee’s responsibilities are to:

- Establish policies that reduce accidents and injuries, and maintain or improve the safety and health of our employees, contractors and the general public
- Facilitate effective two-way communication between the Safety and Health Steering Committee and local safety committees
- Make operational decisions to improve our Company’s safety performance
- Involve employees in achieving a safe, healthful workplace and take action to correct identified workplace hazards
- Promote awareness of the SJG Safety and Health program, including our Company’s safety and health goals
- Maintain awareness of legislation or regulatory actions

- Conduct and oversee safety inspections; report results and trends
- Review incident reports and monitor the progress of any actions required to completion
- Direct and monitor safety training; recommend training for new employees and refresher training for safe work practices, procedures and emergency response
- Monitor Workers’ Compensation and safety performance and trends

SJG is focused on reducing our number of Occupational, Safety, and Health Administration (OSHA) recordable incidents and preventable motor vehicle accidents. The goal in 2016, which continues throughout 2017, is to improve safety performance with the ultimate achievement of zero injuries and zero preventable motor vehicle accidents. We track injuries and their causes as part of our continuous improvement program. Our goal is to achieve and maintain top-quartile performance among our peers by 2021.

	Incident/Accident Target Rates	Incident/Accident Actual Rates
	2016	2016
OSHA Recordable Work Incidents	1.3	3.47
Days Away, Restrictions and Transfers (DART) Injury Rate	0.8	2.43
Preventable Motor Vehicle Accidents	2.1	4.76

Peer Review Assessment

SJG participated in a week-long peer review in mid-April 2017 to analyze our performance in the areas of safety culture, technical training and work procedures, and pipeline risk management. This American Gas Association (AGA) program, launched in 2015, is a voluntary review that allows participating companies to be analyzed by peers, share leading practices, and identify opportunities to improve operational performance.

Highlights from the review include the acknowledgment of SJG's positive safety culture and proactive safety communications, the professionalism of our employees, our hands-on training program, effective contractor management, and our great partnerships within the community. The reviewers also identified several improvement opportunities for the company to assess.

Over 50 SJG employees participated in the review, ranging from field employees to the management team. Due to the study, cross-functional teams were formed to identify and prioritize the areas where SJG can improve our performance.



Utility Safety Training & Technology

Technical Training Center

The SJG Technical Training Center serves as the company's source for training and testing for street, utility, and construction department employees. We value our talent and believe that well-trained employees fuel our success. In 2017, we added:

- Additional staff focused on delivering exceptional on-the-job training, classroom instruction, demonstrations, and online training
- Larger classroom and workshop space
- Plastic Pipe Joining annual qualifications conducted by SJG Training Supervisors

We also upgraded our technology, including:

- "eWallet" cards embedded with employee-specific Operator qualifications; the cards can be scanned using Smartphone technology to show important information such as suspensions and expiration dates
- Interactive computer-based training programs
- Paperless secure testing
- Learning Management System (LMS) software application for administration, documentation, tracking, reporting, and delivery of training

Programs offered by the Technical Training Center include:

- Operator Qualifications
- Leak Investigations
- Operations Technician Training
- Pipe Joining Training and Qualifications
- Street Foreman & Construction Inspector Training
- Lift Truck Operator
- Appliance Light Up Training

Utility Line Locate Technician Training

Our Utility Line Locate Technician Training Program, implemented in conjunction with Atlantic Cape Community College, the Northeast Gas Association (NGA), and local workforce investment boards, continues to build a pool of qualified and diverse applicants for SJG and area contractors. We partner with the Atlantic City Branch of NAACP to broaden and increase the number of applicants for training programs.



The program has graduated over 65 students. These graduates have received jobs with SJG or our contractors, benefiting our local economy. SJG is proud to be part of this unique program and shared our training model at numerous industry gatherings, including the NGA and the AGA.

Damage Prevention Training

In celebration of April 2017's Underground Damage Prevention Month, representatives from SJG gathered with New Jersey officials at a public event. SJG's markout coordinator spoke at the event about the importance for homeowners and contractors to call 811 before digging to ensure that utility companies can safely mark out any underground facilities.

Later that month, contractors and excavators were invited to a series of damage prevention seminars held across southern New Jersey to learn about procedures and legal requirements that govern underground facility protection, utility operator and excavator responsibilities, and best practices to follow for safe digging.

New Cellphone Technology Keeps Employees Safe, Better Connected

SJG technicians out in the field traded in their flip phones for high-tech smartphones in early 2017—an upgrade that not only gives the employees the best technology available but also makes it safer for them to respond to potential gas leaks.

The new phones are nonincendive, meaning it will not cause natural gas to ignite, and are water resistant. Additionally, they use an Android operating system, so useful applications like maps or email are now readily accessible. A translation application is also available to bridge any language barrier the technicians might encounter in the field.

Transmission Line Integrity

On a regular basis, SJG inspects its 146 miles of transmission pipeline to assure system integrity using a smart pig. The “pig” is an in-line inspection tool that is inserted into the pipeline and travels through it—gauging and recording if there are any dents, corrosion, gouges, metal loss, or other anomalies. Once the readings are complete, the SJG team analyzes the data to see if any repairs are needed.

Nationwide, utilities need to inspect their pipelines every seven years under regulatory requirements, however, SJG believes it is beneficial to conduct inspections on a six-year rotation.

This smart technology approach is to ensure the integrity of our pipeline system—to make sure we are doing everything we possibly can to keep our customers, the general public, and our company safe.

— Drew Brzycki

Manager of compliance planning for South Jersey Gas

Leak Detection and Elimination

SJG takes an aggressive approach to repairing, tracking, and monitoring natural gas leaks through multiple programs. With this strategy, all potential leaks in our systems are actively monitored to ensure public safety.

The combination of our capital improvement strategy, annual main and service line surveying program, and use of our Leak Hotline, helped reduce the number of pending leaks by nearly 77 percent over the past six years. We anticipate this proactive approach will continue to improve our results in the coming years.

A component of our safety program is our partnership with a third-party vendor, which conducts mobile monitoring on all the distribution mains throughout SJG’s service area. They use vehicles outfitted with sensing equipment that can identify the location and magnitude of a leak.

SJG also completes Service Line Leak Surveys on the service lines running from the main in the street up to the home or business’ meter. The survey is completed by a physical walk along each gas service line with hand-held surveying equipment that will identify if natural gas is escaping or if a buildup of natural gas has occurred. The surveyor also looks at the condition of the meter buildup and reports any issues for repairs before a leak occurs to above ground facilities.

Any damage can be very dangerous, whether or not it leads to injury or loss of property. The more we focus on educating employees, contractors, and the public, the better equipped we are to prevent damage. During 2016, we saw a 15 percent reduction in damage, and we are working hard to see that trend continue.

Bill Tappin

Supervisor, Damage Prevention



77% Less
pending leaks
in last 6 years

Protection through Excess Flow Valves

SJG has been installing Excess Flow Valves (EFV) on qualifying new and replacement service lines for nearly 18 years. The EFVs are mechanical safety devices designed to shut off the flow of natural gas automatically in the event of a service line break or excavation damage.

Following a new federal regulation, SJG notified customers in April 2017 of the ability to request the installation of an EFV on their existing natural gas service line if one is not already in place, and where technically and operationally feasible.

Gas Leak Hotline

The public, customers, and contractors play an important role in pipeline safety. We encourage anyone to call our [Gas Leak Hotline](#) if they suspect a leak. In 2016, the hotline received nearly 12,700 potential leak calls, of which 59 percent were not gas related. The 41 percent verified were from a combination of customer in-home equipment and SJG's infrastructure. Our teams address about 14 of those leaks per day, on average.

Emergency Response Preparation

SJI takes the necessary actions to protect the enterprise and the natural gas delivery system that serves more than 381,000 customers in southern New Jersey. We demonstrate our ability and dedication to safety and security by developing, updating, and exercising preparedness plans such as our Business Continuity (BCP), Cyber Security, IT Disaster Recovery, Pandemic Flu, and Gas Emergency Operations (GEOP) Plans.

In early 2016, SJI centralized our security programs by creating a Security Department and appointing a Chief Security Officer for oversight. The department enables the company to strengthen our partnership with

Federal, State and local Agencies such as the Department of Homeland Security, the Federal Bureau of Investigation, the New Jersey Office of Homeland Security and Preparedness, along with State and local law enforcement. Our participation on the AGA's Natural Gas Security Committee, the New Jersey Utility Association's Cyber & Physical Security Committee, and organizations such as ASIS leverages best practices and knowledge for continued improvement.

SJI's programs and processes protect SJI's customers, people, property and technology, as well as our incident response, business operations and facilities management.

Business Continuity Preparedness

After completing the routine update of our BCP in 2016, a tabletop exercise was conducted to provide BCP leaders with the opportunity to practice their roles and responsibilities in response to a mock event. The goal of the simulation was to practice the functionality of the Plan and test associated processes in response to a significant event that could impact a company facility. Approximately 52 employees participated in the exercise and all objectives were successfully met.

Opportunities for improvement were compiled through a debriefing session following the exercise, observations of the exercise facilitators, and written evaluations returned by participants.

Companies that perform most effectively during a business emergency are those that have an effective plan, clearly defined roles and responsibilities, and advance opportunities to practice, evaluate performance, and adapt through additional planning and training.

Utility Emergency Preparedness

In October 2016, SJG held a mock emergency exercise to provide its Incident Command Team (ICT) with the opportunity to practice its planning, response capability, and overall knowledge of roles and responsibilities with respect to the Gas Emergency Operating Plan (GEOP).

Approximately 100 employees attended the drill, which provided customized training to further refine and enhance many of the processes in place. Improvement items identified during the exercise were compiled through a debriefing session, by observations of the controllers assigned to teams, and written evaluations returned by participants.

First Responder Online Curriculum

SJG helped launch a new online safety training program designed to educate First Responders on how to handle incidents involving natural gas. The program was developed by the Northeast Gas Association (NGA) in collaboration with a number of natural gas utilities in the region.

Keeping fire departments and volunteer companies informed and protected is an important part of our overall public safety program. The First Responder Natural Gas Safety Training Program is free and designed in partnership with fire chiefs, safety trainers, educational experts, and instructional design professionals.

The program consists of seven modules on topics such as the characteristics of natural gas, identifying carbon monoxide poisoning and how to respond to incidents that involve natural gas pipelines and other natural gas facilities. Further information about the program can be found online at ngafirstresponder.com.

Consumer Protection Awareness

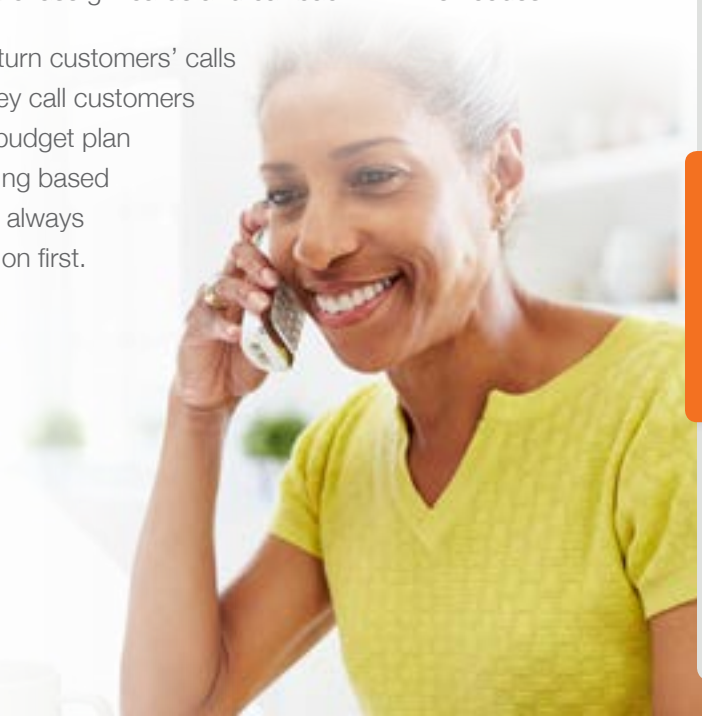
Identifying Utility Workers

In late 2016, SJG urged residents to confirm the identification of any utility workers requesting to enter their homes or access their property as a safety precaution due to reported concerns of imposters in the northeast. Customers were notified that SJG employees carry identification cards with their photo, full name, employee number, signature, and company logo. Residents can also identify employees by their trucks and uniforms. If an individual cannot produce identification, we advised residents call the police immediately and the SJG Customer Contact Center to verify if gas utility work was scheduled on or near their premises.

Telephone Scam Cautions

As reports of telephone scams increase, SJG reminded customers that our representatives will never request credit card information over the phone, or ask customers to purchase gift cards and call back with their codes.

SJG representatives return customers' calls to answer inquiries. They call customers directly when monthly budget plan amounts require updating based on natural gas use and always verify account information first.



Employee Health and Wellness

Promoting healthy, safe behavior is fundamental in improving overall wellness of our employees and can lead to reduced absenteeism, improved capacity to learn, improved ability to focus, and improved mental alertness. A wellness program positively impacts employee retention, as employees are more likely to be attracted to, remain with, and value a business that supports and encourages wellness at a corporate level.

In addition to outfitting SJJ employees with the tools to manage and improve their health through education and motivation, the development of a corporate wellness program has provided other benefits as well.

SJJ offers:

- **Wellness Reimbursement Program**—the company reimburses employees for the cost of their gym or weight loss program membership.
- **Onsite Programs**
 - **Exercise** – a six-week instructor-led Yoga class was offered.
 - **Wellness Seminars** – are free and held throughout the year; most recent seminars included topics such as heart health, memory loss, and general health. Topics vary from year-to-year based on employee interest and suggestions.
 - **Flu Shot Clinics** – offered every year at most locations; 160 employees received a flu shot at work in 2016. In addition, employees and adult dependents can receive free flu shots at any pharmacy.
 - **Mammograms** – Mammogram Mobile comes onsite annually.
 - **Blood Drive** – held at multiple locations throughout the year.

Environmental Stewardship

SJJ engages stakeholders to preserve, restore, and enhance the environment. The company also takes the environmental impacts into consideration for all business decisions.

Remediation Program Progress

During the 1800s, in many towns and cities across the United States, manufactured gas was produced from materials such as coal and oil. The fuel produced at a Manufactured Gas Plant (MGP) site was used to light homes, businesses, and street lamps. When the interstate pipeline introduced natural gas to the area in the 1950s, MGPs rapidly disappeared. The operations of these plants left byproducts at these sites that are being cleaned up under today's environmental standards.

SJJ oversees environmental investigation and remediation activities on SJG's long inactive coal-gas manufacturing sites, as well as sites currently or previously owned by SJJ's past or present subsidiary companies. SJG, via our corporate lineage and historic operations, is responsible for the remediation of several MGP sites, including two where significant remediation activity occurred during 2016.

Hammonton, NJ

In 2017, work was completed at the former MGP site located in the Town of Hammonton, NJ after a remediation lasting over 12 months. The remediation addressed environmental impacts, such as soil and ground water, that were caused during the operation of the facility in the early 1900s. Remediation was performed via a combination of excavation and offsite disposal, In Situ Stabilization, and Monitored Natural Attenuation.

Glassboro, NJ

Work associated with the final phase of remediation at the former Glassboro MGP site began in mid-2017. The final phase of remediation at this site will consist of construction of a sub-surface containment unit that will surround the remaining affected area and eliminate them as a future source of groundwater contamination. Construction activities are anticipated to take approximately 12 months to complete.

Remediation at Discontinued Non-Utility Subsidiary Sites

In addition to the remediation liabilities associated with the MGP sites, SJG also maintains environmental responsibility at several properties owned by two discontinued non-utility subsidiaries. Due to historic activities at the sites, such as fuel storage, maintenance and fueling, five sites previously owned by South Jersey Fuel and nine sites previously owned by The Morie Company are in various stages of environmental investigation or remediation. Seven of the sites have been completely investigated and remediated.

Blue Carbon Feasibility Study

SJG is partnering with The Nature Conservancy for a second year in support of its first “blue carbon” feasibility study in New Jersey. The study will determine the potential of establishing a coastal wetlands carbon sequestration program in New Jersey.

If feasible, blue carbon credits could provide a new way to offset carbon emissions and generate revenue that could fund coastal wetland restoration and conservation. According to the National Oceanic and Atmospheric Administration (NOAA), salt marsh can sequester more carbon in its soil than tropical forest.

Air Quality

Climate change represents a serious challenge for virtually all industry sectors – particularly those dealing with energy generation and distribution. Recently, the EPA issued the Mandatory Report of Greenhouse Gases Rule to collect greenhouse gas data and other relevant information from large sources and supplies so that accurate and timely greenhouse gas data is available when formulating future policy decisions.

A Mandatory Greenhouse Gas Reporting Rule required local distribution companies, like SJG, to report yearly greenhouse gas emissions. SJG has monitoring and record-keeping systems in place to estimate its annual emissions.

Emissions Tracking

SJG tracks the greenhouse gas emissions of its natural gas delivery system annually. In 2016, SJG infrastructure emitted 76,226.7 metric tons of CO₂-equivalent emissions from its system, a decrease of 11 percent from prior year emissions. As we continue our progress with infrastructure replacement programs, which remove aging infrastructure by replacing it with secure plastic piping, these numbers are anticipated to steadily decline year-over-year.

Overall, SJG reduced CO₂-equivalent emissions from its system by 33 percent from 2011 to 2016.

Marina Energy tracks the greenhouse gas emissions from its Marina Thermal Facility in Atlantic City, NJ on an annual basis. The energy produced at this natural gas powered facility emitted 44,530.4 metric tons of CO₂ emissions in 2016. This is a reduction of approximately 111,527.35 metric tons when compared to a traditional or conventional powered facility, such as a coal-fired plant.

Marina Energy has four landfill gas-to-electric projects (LFGTE) in Atlantic, Burlington, Salem, and Sussex counties in New Jersey. The electric capacity of these combined projects is over 15.7 megawatts. They convert more than 31 thousand tons of environmentally harmful methane gas per year into electricity capable of powering approximately 9,400 residences.

In addition, Marina Energy is committed to reducing the amount of emissions released into the atmosphere by treating the landfill gas as necessary prior to its combustion in stationary engines. Both facilities in Burlington and Sussex counties have existing landfill gas treatment systems. An additional landfill gas treatment system is anticipated to go online at the Atlantic County facility by the end of 2017.

Compliance Commitment

SJL continually works to improve compliance at its operational facilities with applicable environmental health and safety laws, regulations and corporate policies. To that end, we have created a Task Force comprised of Marina operations personnel and SJL environmental professionals with the primary focus to identify and implement improvement opportunities at the landfill gas-to-electric sites. Marina has successfully revised permit conditions to more accurately align with operating conditions, revised operations to better meet permit conditions and improved pollution controls. As result of these changes, Marina has improved permit compliance at the landfill gas-to-electric facilities.

EPA STAR Best Management Practice

SJG joined the U.S. Environmental Protection Agency's (EPA) Natural Gas STAR Methane Challenge Program in 2016 as a founding partner. The program is designed to provide a transparent platform for utilities to make, track, and communicate commitments to reduce methane emissions.

Each year, we collaborate with industry peers to make ambitious and transparent commitments to reducing our methane emission as part of our consistent focus on sustainability. The STAR Methane Challenge aligns with our commitment to help protect our region's environment and natural resources.

As part of our participation, SJG follows the Challenge's Cast Iron and Unprotected Steel Best Management Practice commitment. We pledge to reduce emissions by replacing a significant portion of our aging bare steel and cast iron distribution mains and services over the next five years with modern medium-density plastic mains and services.

SJG has committed to replace over 100 miles of steel and cast iron distribution main and replace approximately 5,500 services per year over the next five years. At this replacement rate, SJG expects to reduce methane emissions by more 500 tons per year.



Projected

 The graphic consists of a dark blue shopping bag icon with a white handle. Inside the bag, the text "500 Tons" is written in a large, white, bold sans-serif font. Below the bag, the text "of Methane Emissions Reduced Per Year at Current Replacement Rate" is written in a blue sans-serif font.

 of Methane
**Emissions Reduced
 Per Year at Current
 Replacement Rate**

As a EPA Natural Gas STAR Methane Challenge Program participant, SJG is reducing emissions by replacing a significant portion of its aging distribution mains and services over the next five years.



Supply and Extraction

According to the AGA, natural gas is the Earth's cleanest fossil fuel. Much of the natural gas we find and use today began as microscopic plants and animals living in shallow marine environments millions of years ago. As this organic feedstock became buried deeper in the earth, heat, combined with the pressure of compaction, converted some of the biomaterial into natural gas.

Read more at www.sjindustries.com.

As a member of the AGA, SJI endorses its Responsible Natural Gas Resource Development principle. We believe the domestic resource of

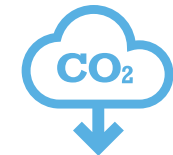
natural gas can be developed in a responsible manner using improved technologies to provide clean, abundant, and cost-effective supply to our customers.

Safe and reliable extraction, transport, and delivery of natural gas to consumers remain the first priority for all AGA natural gas industry members. SJG meets all applicable federal, state, and local regulations. In addition, we interact with a wide variety of stakeholders to engage in open and transparent communications.

We strongly believe that by responsibly utilizing this resource, New Jersey can benefit from its proximity and abundance of supply to help drive down gas pricing in our market area through the safe and responsible extraction and transportation of natural gas.

SJI focuses on delivering energy solutions to customers after natural gas is extracted. While SJI does not drill for natural gas, we support environmentally responsible drilling by producers who comply with strict local, state, and federal regulations.

33% Less



**from
2011 to 2016**

ENGAGING OUR STAKEHOLDERS

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ENGAGING OUR STAKEHOLDERS

Engaging our stakeholders allows us to collaborate with, involve, consult, inform, and improve our business and sustainability strategy. These stakeholders include employees, customers, public officials, agency regulators, environmental and conservation experts, teachers and educational institutions, and investors.

Partnerships for Collaboration

South Jersey Industries (SJI) partners with a variety of organizations:

- New Jersey Clean Energy Program
- Comfort Partners
- Opower
- Governmental entities for energy aggregations
- Electric generation plants
- Millennium Account Services
- Natural Gas Vehicle Association
- Sustainable Jersey
- Greater Philadelphia Energy Action Team

Voice of the Customer

As one of New Jersey's four natural gas utilities, South Jersey Gas has a responsibility to provide its approximately 381,000 residential and commercial customers with safe, reliable, and affordable natural gas. SJG also has an equally important duty to provide those we serve with prompt, courteous, comprehensive support when they call on us for assistance. To that end, in 2016 our Customer Experience Team set out to improve our processes and systems to better serve our customers.

To start this improvement process, SJG conducted several "Voice of the Customer" surveys to better understand our customers' needs. The feedback was clear: SJG needed to do more to meet the needs and expectations of customers.

Ongoing improvements in technology will allow our customers to interact with SJG in multiple ways—and at a time that's most convenient for them. Changes include:

- upgrades to SJG Customer Contact Center, which encompasses additional representatives as well as enhancements to our software and hardware
- improvements to customer billing statements to make it easier to find and understand the information that's most important to them

Our Workplace

SJI takes pride in recruiting and retaining the best talent. SJI needs motivated, hard-working individuals in all areas of our business including sales, engineering, communications, technical services, accounting, human resources, legal services, customer care, and more. SJI is always looking for enthusiastic, talented professionals to join our company.

Demographics

As of December 31, 2016, SJI had 754 employees:

- 127 corporate staff
- 509 in the utility encompassing all locations (South Jersey Gas)
- 118 in the nonutility companies (South Jersey Energy Solutions and its subsidiaries)
- 44 percent of total workforce represented by unions

Promoting a Diverse and Inclusive Workforce

Increasing our diversity in the workforce is an ongoing initiative at SJI. Currently, 21 percent of our employees represent an African American, Hispanic or Latino, Asian, or other diverse classification. Forty-percent of our employees are women serving in various roles throughout the company.



South Jersey Industries' Employee Diversity

	American Indian or Alaska Native	Asian	Black	Hispanic	Two or More Races	White	Total
Female	3	4	42	24	4	232	309
Male	1	17	41	20	2	364	445
Total	4	21	83	44	6	596	754

Labor Philosophies, Policies, and Practices

SJI has policies and procedures in place that help us recruit and retain high-quality employees. Our employees' actions are guided by our corporate values.

SJI's Human Resources Policy addresses Equal Employment Opportunity and Affirmative Action/Nondiscrimination practices. SJI is fully committed to ensuring that the principles of Equal Employment Opportunity and Affirmative Action and Nondiscrimination are endorsed and enforced by all employees.

The policy states that SJI will:

- Recruit and hire employees without regard to race, color, religion, gender, sexual orientation, age, national origin, physical or mental disability, or veteran's status
- Treat employees equally with respect to compensation, benefits, opportunities for advancement, including upgrading, promotion and transfer, and all other privileges, terms, and conditions of employment

- Provide equal employment and advancement opportunities on the basis of individual qualifications and job performance
- Maintain a working environment that is free from harassment
- Promote a values-based culture

Talent Pipeline Outreach

In 2016 and 2017, SJI continued to attend regional and national events to assist with our efforts to recruit exceptional talent. As part of our talent acquisition strategy SJI partnered with organizations such as the Hire Our Heroes Veteran's Initiative and HireAbility.

Of note, SJI also sent representative to speak at group functions for organizations such as Rowan College at Burlington County's Women in Sustainable Energy (WISE), Careers in Energy Workforce Development, and hired graduates from our Operations Technician Program.

Future Workforce Development

Internship/Co-op Programs for Students

SJI has have intern and co-op programs that provide the opportunity for students to gain meaningful real-world work experience. Beyond providing enrichment through professional experience, interns have a chance to network and give back to the community.

SJI representatives attended 26 job fairs to recruit for interns in 2017. As our program has evolved, the number of interns we employ for the summer has also increased. In 2017, SJI had 28 students take part in its

summer program from 14 different colleges and universities. This year our class included students from four new colleges/ universities that hadn't previously contributed to the program.

To learn more about SJI's intern and co-op programs, please [click here](#).

Employee Resource Groups

SJI's approach to diversity and inclusion involves leveraging the unique differences in our workforce and sponsoring employee resource groups to reinforce inclusivity to meet business goals. Our initiatives allow for each employee's individuality to be represented.

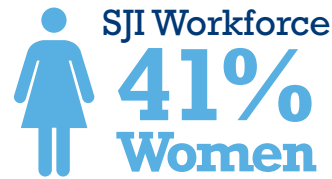
American Association of Blacks in Energy

The American Association of Blacks in Energy (AABE) is a national association of energy professionals dedicated to ensuring the input of minorities into the discussions and developments of energy policy, regulations, R&D technologies and environmental issues. The AABE South Jersey Chapter is based out of SJI, and its membership composition consists of employees from each SJI subsidiary along with employees from PSEG Nuclear.

The South Jersey Chapter's initiatives focus on community service, scholarships, mentoring and education awareness, and networking within the community and local businesses. Since the inception of the AABE scholarship fund in 2014, the chapter has provided 19 scholarships totaling over \$11,000 to high- achieving high school seniors pursuing an education in science, technology, engineering, and math (STEM) fields or related business fields.

Women's Leadership Initiative

The Women's Leadership Initiative (WLI) at SJI is an offshoot of United Way of Greater Philadelphia and Southern New Jersey's WLI organization that focuses on community service, networking, and education. WLI serves as a network of women committed to leadership, philanthropy, and volunteerism. Their mission is to mobilize the power of women to give, advocate, and volunteer in support of underserved individuals throughout the region.



This year, WLI provided community support to the Atlantic City Rescue Mission, Image and Attitude, Bringing Hope Home, Funny Farm Rescue, Cozies for Chemo, and Books through Bars to name a few.

Skill Training and Development

SJI is committed to providing a workplace characterized by development, opportunity, inclusion, and training by aiding employees in managing their careers, increasing their skills and experience, and maintaining a high level of performance.



To deliver more development opportunities and create a high-performing workforce, SJI launched our corporate university, EmpowerU. The program is a one-stop shop where employees can develop the critical skills and knowledge necessary to build their careers and fuel their future with the company.



Our leadership promotes the belief that our greatest assets are our pipes and our people. So we never stop working to leverage the diversity of our talent pool, while also building a workforce that better reflects the communities we serve. It's the unique backgrounds, experiences and traits that each employee brings to the table that make our organization successful.

Shawn Abner-Purnell

Manager, Organizational Development, Diversity and Inclusion

EmpowerU offerings include the following:

- Manager's Bootcamp series for new and seasoned managers
- Teambuilding to develop high-performing teams
- Microsoft Office workshops
- Courses that detail SJI business operations
- My Career Journey series—company subject matter experts share valuable information about lessons learned in their career journey

In addition to SJI's EmpowerU, we also educate employees through the Public Utilities Regulation (PUR) program, which is designed to provide exposure and insight into public utility operations through half-day classroom sessions taught by experts from SJI business areas. The workshops also include site tours of our McKee City and Marina facilities.

Our Presence and Community Impact

As a member of the community, SJL continues to actively support local nonprofit, business, and civic organizations that directly and positively impact the customers we serve.

SJL especially seeks opportunities to enrich the lives of our neighbors, exercise environmental stewardship, encourage STEM education, and promote healthy living. Read about our current programs and how to apply online: www.sjindustries.com/community.

Through our corporate Social Investment Program, SJL made the following impact in 2016:

- Funded 41 local nonprofit programs including:
 - 29 percent STEM and Vocational
 - 17 percent Environmental Stewardship
 - 12 percent Community Enrichment
 - 42 percent Health & Social Services

Next Generation in Energy Careers

To instill a love of science in today's students, SJL supports STEM (Science, Technology, Engineering and Mathematics) programs. For instance, the Atlantic City-based organization Mad About Science was awarded a grant for an after-school program that uses non-traditional teaching methods to engage children and get them excited about math and science.

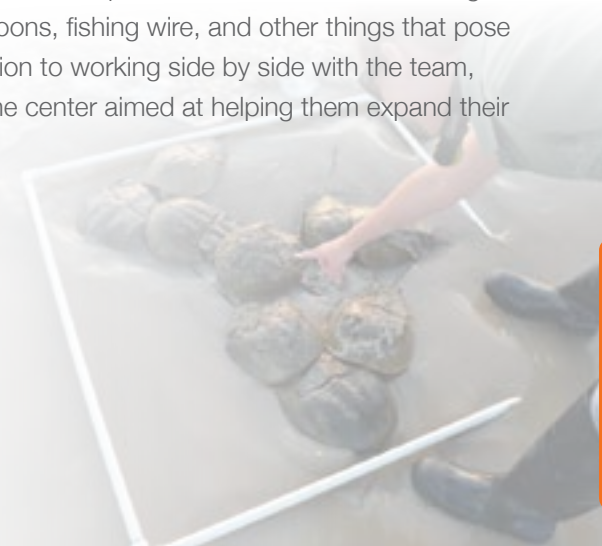
SJL also sponsored the Governor's first STEM Scholars conference of 2016 held at Rutgers University, New Brunswick. The conference program

focused on STEM, Government and Leadership. Special guests included STEM professionals in government, New Jersey's sole physicist-legislator, the chairman of the Research & Development Council, and the research scientists who run one of the world's top facilities on spinal cord injuries. Founded in 2013, the Governor's STEM Scholars Program is a statewide STEM education initiative for New Jersey students in grades 10 through the PhD level.

Environmental Improvements

Through awareness programs, grants, and volunteer opportunities, SJL continues to be a steward for the environment—from cleaning up beaches of debris to supporting organizations such as the Woodford Cedar Run Wildlife Refuge. This year, employees took to the community to volunteer at events such as:

- Horseshoe Crab rescue walk through The Wetlands Institute, where volunteers collected information on horseshoe crab strandings and rescues, worked to remove debris from sponsored beaches, organized data, and reported results to project partners and the NJ Division of Fish and Wildlife.
- SJL employees partnered with the Marine Mammal Stranding Center to clean Brigantine Beach of debris to prevent animals from consuming litter such as, popped balloons, fishing wire, and other things that pose a threat to wildlife. In addition to working side by side with the team, SJG provided a grant to the center aimed at helping them expand their education program.



First Responders Grant Program

South Jersey Gas' First Responders Grant Program provides critical support for operations conducted by first responder departments—including paid or volunteer fire departments, emergency medical services and police departments that serve at least one of the municipalities in our service area. During its inaugural year in 2016, the program issued \$20,000 in grants.

Game On Grants and Energy for the Arts

Helping children find productive outlets for their time and talents makes communities stronger. Through two of SJL's programs, Game On Grants and Energy for the Arts, the company supports initiatives that allow children to express themselves and achieve greatness.

- Game On Grants, offered through South Jersey Gas, provides critical support needed to sustain local, community-centered athletic programs, leagues, clubs, associations, and recreational organizations for children.
- Energy for the Arts, offered through South Jersey Energy, supports local arts programs such as drama clubs, school bands and choirs, and competitive art programs for school-aged children in the communities we serve.

Volunteers Serve Others

In addition to financial grants, SJL also fosters a culture of volunteerism in its employees and arranges volunteer days throughout the year.

Employee volunteer efforts include:

- A group of SJG volunteers gave more than 500 Cumberland County children a winter coat through the Green Flag Committee's annual



Volunteering isn't about a photo opportunity or getting recognition. Volunteering is simply about serving others who need help. With all the negativity in the world, it means that much more to know that I can help put a smile on someone else's face just by giving my time to those in need in our local community.

George Tenenberg

General Manager, Pipeline Operations

Coats for Kids event. Each student received a new coat, pair of mittens, hat, and scarf. Additionally, with the help of a company collection, SJG donated nearly 500 books to be distributed at the event.

- SJL's summer intern class participated in a day of service at The Community Food Bank of New Jersey's Southern Branch in Egg Harbor Township in July 2017. The interns packed over 400 boxes of 25 different food items, ranging from pancake mix to pasta, for families in need.
- Through Junior Achievement of New Jersey, 12 SJL employees offered their time and talents for a day to help prepare sixth-, seventh-, and eighth-grade students for a successful future. With the help of our volunteers, students learned entrepreneurship, work readiness, and financial literacy concepts and skills.
- South Jersey Gas volunteers helped feed New Jersey residents after picking over 4,000 pounds of peppers from a Cumberland County farm in September 2017. The effort was a partnership with Farmers Against Hunger, which runs a gleaning program. Gleaning is when leftover crops are collected after fields were already harvested. The produce was distributed to area food pantries.



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