



2010 Sustainability Report Development

Report History

For more than a decade, a special committee of our Board of Directors has reviewed NiSource's sustainability practices, including environmental, health and safety performance. In 2009, driven by our commitment to transparency and progressive governance practices, we determined it necessary to begin publicly reporting our sustainability initiatives in a single report.

The process began with a small team investigating how peers in the energy industry and sustainability leaders in other industries approach their sustainability reporting. Our findings provided the benchmark to evaluate the company's wants, needs and capabilities in generating the first successful report. To complement this research, we further evaluated how to incorporate the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines.

Under the guidance of our Executive Committee and Board of Directors, a group of senior leaders from across the organization came together to discuss the research, the report concept and how to effectively approach the report's data collection, concept and implementation. At the same time, NiSource developed and approved its company-wide Sustainability Policy, which helped guide the report content.

These leaders determined that the report should focus on our three main business units and our corporate operation, which encompasses nearly 100 percent of our business operations. They also determined it was appropriate to report on both the positive and negative aspects of the company's performance.

The final report concentrated on the following four categories, which are relevant to our industry and include our material impacts on sustainability.

- Customer Focused Energy Solutions
- Environmental Stewardship
- Strong Stable Communities
- Engaged, Aligned and Safe Teams

Report Preparation

A small group of report contributors, primarily from the corporate communications and environmental, safety & sustainability departments gathered to outline the goals of the report. This group, along with a representative of the Executive Committee, made the decision to follow the same four categories from the 2009 report and enhanced the GRI rating to a level B.

These goals were ultimately derived from the following:

- Sustainability Policy
- Regulatory/Legal Requirements
- Stakeholder Interests
- Data Availability
- Board of Directors
- Executive Committee
- Sustainability Council*

Using data from the employee Intranet and various internal company documents, this group then identified and gathered potential stories and examples of sustainability from throughout the organization. In addition, this group spoke with business leaders about struggles and successes with their sustainability initiatives and meticulously went through the GRI guidelines to identify areas where data was needed and who would be accountable for securing and providing the data.

This group also engaged a consultant to help assist with the process. The consultant's main role was to provide recommendations on best practices and ensure compliance with the expectations of the GRI reporting guidelines.

Once the approach was approved by the Executive Committee, this group was tasked with collecting data from across the organization. The company's 2010 Form 10K and our annual Proxy Statement acted as complementary resources on many of the required disclosures.

*An employee Sustainability Council, comprised of leaders from various areas across the organization, was formalized briefly after the goals of the 2010 report were developed, however they provided direction throughout the report process and will play a critical role in future reports.

Data Collection

Much of the data provided in this report is required in one form or another due to regulatory or legal mandates. However, prior to the development of the sustainability report, much of the data was considered confidential or difficult to find in one place.

Each data point is secured either through automated equipment or a subject matter expert accountable for the data as part of his/her job responsibility. Generally, the automated equipment is checked on a regular basis and data collection is routinely assessed.

For example:

- Water usage tables use flow meter data and estimates.
- Customer satisfaction and employee engagement are calculated via survey using third-party vendors.
- Corporate-wide greenhouse gas emissions are based on the existing GHG Protocol Corporate Accounting and Reporting Standard developed by the World Resources Institute ("WRI") and the World Business Council ("WBC") for Sustainable Development.
- Most other data is compiled using generally accepted financial and operational reporting.

Now successfully through two reports, we've learned a lot as a company. In particular, we've learned more about what our stakeholders want and expect from a sustainable company, and we've learned that employee engagement throughout the process is essential to improving - and gaining adoption of - sustainability initiatives. Our focus on sustainability is geared toward continuous improvement in support of our aspiration to be North America's Premier Regulated Energy Company.

###