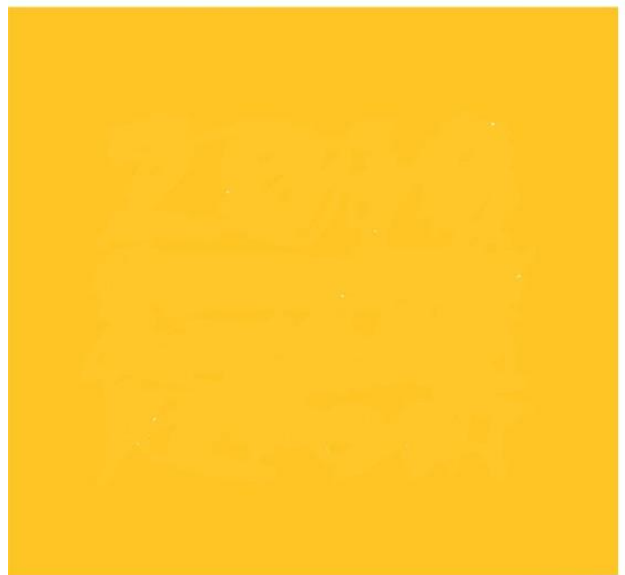




EEI ESG/Sustainability Qualitative 2016 Report

NiSource, Inc.



Introduction

NiSource is among EEI member companies piloting the voluntary Environmental, Social, Governance and Sustainability reporting template for investors. NiSource is a member of the EEI ESG/Sustainability Steering Committee. This portion of the template reflects relevant qualitative information contained within NiSource's 2017 Integrated Annual Report, related documents supporting the Integrated Annual Report, NiSource's March 2017 Investor Day presentation and other information available on our website, www.nisource.com (primarily our Investor and Sustainability sections). Links to relevant information are provided.

The goal of the pilot is to provide investors with ESG/Sustainability information (generally non-material as defined by the Securities Exchange Commission) in a consistent manner across the utility sector in terms of accessibility, content, timing, and presentation. NiSource shares in the Steering Committee's goal to provide investors with relevant information that:

- Allows integration of ESG/Sustainability data and performance.
- Provides clarity of risks and opportunities and how they are being managed.
- Provides insight into growth strategy, assumptions, and future trajectory.
- Provides both qualitative and quantitative information.
- Serves as a primary reporting channel for consolidated ESG/Sustainability information relevant to investors and other stakeholders.

As a fully regulated combined electric and natural gas utility, we look forward to supporting this effort as it expands beyond the electric industry. Some of the information linked will include information relevant to both sectors – electric and natural gas – of our business.

ESG/Sustainability Governance, Oversight & Management

Approximately two decades ago NiSource's Board of Directors established a standing committee to review and guide our environmental, health and safety performance. And, the company has publicly reported its progress in an annual Sustainability Report since 2009 (www.nisource.com/sustainability). Also in 2009, the Board of Directors officially changed the committee's name to Environmental, Safety & Sustainability (ESS) Committee to reflect the broader role sustainability plays in NiSource's business strategy. In 2017, NiSource integrated its Sustainability Report and Annual Message to Stockholders into its first Integrated Annual Report.

The **ESS Committee** – comprised of five independent board members – assists NiSource's Board of Directors in overseeing the programs, performance and risks relative to environmental, safety and sustainability matters. Its responsibilities include evaluating the company's environmental and sustainability policies, practices and performance; evaluating the company's safety policies, practices and performance relating to our employees, contractors, and the general public; reviewing and assessing shareholder proposals related to the environment, safety and sustainability; reviewing and evaluating the company's programs, policies, practices and performance with respect to health and safety compliance auditing; and assessing major legislation, regulation and other external influences that pertain to the committee's responsibilities. The ESS Committee meets no less than four times per year.

ESS Committee Composition: <https://www.nisource.com/investors/governance>

ESS Committee Charter:

- **Direct File Download:**
https://investor.shareholder.com/common/download/download.cfm?companyid=NI&fileid=89767&filekey=779D3C72-BFE0-44E6-B0A5-22BED42C76F6&filename=NI_WebDoc_1827.pdf

The **Nominating and Governance Committee** of the Board of Directors is comprised of five independent directors. Its purpose is to identify individuals qualified to become board members, consistent with criteria approved by the board, recommend to the board director nominees for the next annual meeting of stockholders, develop and recommend to the board a set of corporate governance guidelines applicable to the company, evaluate stockholder proposals, and oversee the annual performance evaluation of the board and its committees. The Nominating and Governance Committee meets no less than four times per year.

Nominating and Governance Committee Composition:

<https://www.nisource.com/investors/governance>

Nominating and Governance Committee Charter

- **Direct File Download:**

https://investor.shareholder.com/common/download/download.cfm?companyid=NI&fileid=89766&filekey=81E6A4D9-A40D-48CF-835C-11B5248F66E8&filename=NI_WebDoc_1826.pdf

Corporate Governance Guidelines:

- **Direct File Download:**

https://investor.shareholder.com/common/download/download.cfm?companyid=NI&fileid=383941&filekey=38BA23ED-0C55-4A86-98B0-3DF784F6871E&filename=Corp_Gov_Guidelines10282008.pdf

Sustainability / ESG Reporting & Management

The following individuals play a key role in the development, implementation and reporting of ESG/Sustainability efforts at NiSource.

Oversight:

- Joe Hamrock, President & CEO
- Donald Brown, EVP & Chief Financial Officer
- Carrie Hightman, EVP & Chief Legal Officer
- Mike Finissi, EVP, Safety, Capital Execution & Technical Services
- Carl Levander, EVP, Regulatory Policy & Corporate Affairs

Implementation:

- Dave Monte, SVP, Safety, Environmental & Training
- Julee Stephenson, SVP, Corporate Affairs
- Kelly Carmichael, VP, Environmental
- Randy Hulen, VP, Investor Relations
- Sam Lee, VP, Corporate Secretary
- Mike Banas, Director, Corporate Communications
- Julie Shea, Manager, Sustainability
- Faith McGrain, Communication Specialist

Third-Party Support & Assurance:

- In 2017, NiSource engaged Trinity Consultants to verify its greenhouse gas emissions inventory. Also in 2017, as well as in prior years, NiSource consulted with CH2M on our reporting priorities and execution. As part of our annual reporting process, CH2M also assessed our reporting and provided an assurance statement. Assurance/verification statements are available here: <https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-global-reporting-initiative-assurance-statement.pdf?sfvrsn=24>

ESG/Sustainability Strategy & Support Resources

NiSource Sustainability Strategy

Our vision is to establish a legacy of sustained environmental stewardship, economic growth and social responsibility reflective of a premier energy company.

Environmental Stewardship

- Build and maintain a modern and clean energy infrastructure.
- Reduce our environmental footprint through pollution prevention and reduction programs.
- Implement innovative environmental conservation approaches.

Support Strong, Growing Communities

- Execute on our investment driven growth strategy by providing safe, reliable, clean and affordable energy, and creating job opportunities in the communities that we serve.
- Partner with local agencies to enhance community vitality and growth through economic development and charitable giving programs.

Customer-Focused Energy Solutions

- Provide and expand programs that help customers conserve energy and lower bills.
- Provide programs and assistance for low income customers.
- Provide and expand clean energy access for customers.

Safe, Skilled and Engaged Teams

- Be an industry leader in employee safety.
- Create an environment of engaged employees that do their best work.
- Develop an industry-leading inclusion and diversity culture.

Shareholder Value

- Be a leader in consistent and stable earnings growth.
- Be an industry leader in modernizing our infrastructure to provide safe, reliable, clean and affordable energy to our customers.
- Maintain industry-leading ethics practices and transparent public reporting.

Related Resources:

- **Sustainability Website:** www.nisource.com/sustainability
- **Sustainability Policy:** <https://www.nisource.com/docs/librariesprovider2/nisource-documents/sustainability-policy.pdf?sfvrsn=2>
- **Environmental Health & Safety Policy:** <https://www.nisource.com/docs/librariesprovider2/nisource-documents/environmental-health-and-safety-policy.pdf?sfvrsn=2>
- **Climate Change Policy:** <https://www.nisource.com/docs/librariesprovider2/nisource-documents/nisource-policies/nisource-climate-change-policy.pdf?sfvrsn=5>
- **Code of Business Conduct:** <https://www.nisource.com/docs/librariesprovider2/nisource-documents/nisource-policies/nisource-climate-change-policy.pdf?sfvrsn=5>
- **Political Engagement Approach & Spending Policy:** <https://www.nisource.com/company/political-engagement>

Strategic Business Framework

NiSource's ESG efforts are guided by the aforementioned strategy and policies, and supported by its long-term business strategy. The implementation of its ESG efforts tie back to NiSource's Strategic Business Framework. See below and NiSource's March 8, 2017 Investor Day presentation – slide 6: http://files.shareholder.com/downloads/NI/4173282977x0x931979/84430952-769C-4D78-B8B6-823BFA4A934B/NI_2017_Investor_Day.pdf.

Aspiration: Premier Regulated Utility Company

Strategic Direction: Delivering on Our Commitments

- Industry-leading safety and performance
- Top-tier customer satisfaction
- Investments that systematically and efficiently deliver service integrity
- Dependable, predictable and timely service and emergency response
- Growing our customer base by expanding into unserved areas
- Recognized among the best places to work in our communities
- Sustained year-to-year 5%-7% net operating earnings per share and dividend growth through 2020*

Value Proposition: Compelling Annual Total Shareholder Return of 8%-10%**

- ~\$30B of identified 100% regulated utility infrastructure investments
- Scale across seven states
- Transparent earnings and cash flow drivers
- Constructive regulatory environments and mechanisms
- Commitment to investment grade credit

* Net Operating Earnings from Continuing Operations (Non-GAAP); See slide 2 of the March 8, 2017 Investor Day Presentation – linked above – regarding unavailability of GAAP equivalent of earnings guidance; Dividends subject to Board approval

** Estimated total shareholder return at a constant P/E ratio

Key ESG Issues

Customer Value & Affordability:

NiSource is engaged in a \$30 billion long-term infrastructure modernization program. As a regulated utility, these investments – that increase reliability, safety and environmental performance – are ultimately supported and paid for by our customers. Keeping customer bills affordable, and providing programs to save money and energy are a key focus area. NiSource natural gas customers have seen their bills decline 42 percent since 2008, and we're taking steps to expand our customer base (therefore spreading the costs of investments over a larger base) and become more efficient through technology and process enhancements to keep customer bills affordable while enhancing the customer experience.

While we have work to do to achieve our goal of being among the top 25 percent of utility companies in customer satisfaction by year-end 2018, we are taking significant steps forward and our scores continue to improve.

- See NiSource's Sustainability Website: www.nisource.com/sustainability
- See NiSource's 2017 Integrated Annual Report: <https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-integrated-annual-report-pdf.pdf?sfvrsn=46>

- See NiSource’s March 8, 2017 Investor Day presentation:
http://files.shareholder.com/downloads/NI/4173282977x0x931979/84430952-769C-4D78-B8B6-823BFA4A934B/NI_2017_Investor_Day.pdf
- See page 5 of NiSource’s Sustainability Scorecard:
<https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-sustainability-scorecard.pdf?sfvrsn=26>

Employee Safety:

Keeping people safe is the most important thing we do, and an absolute requirement for ourselves and all who contribute to our work. We are determined to deliver on our commitment of industry-leading safety performance. Our goal will always be zero incidents, and we’ve set milestones on our path to be in the top 10 percent of our industry in employee and contractor safety by the end of 2017. 2016 was our safest year yet (see below), but there is more work to be done to achieve our goal of being incident free.

Safety Metric	2016	One Year Improvement	2007-2016 Improvement
Recordable Injuries	1.55	9%	65%
Vehicle Accidents	1.83	13%	56%
DART Injuries	0.82	18%	69%

- See pages 5-7 of NiSource’s 2017 Integrated Annual Report:
<https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-integrated-annual-report-pdf.pdf?sfvrsn=46>
- See page 14 of NiSource’s Sustainability Scorecard:
<https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-sustainability-scorecard.pdf?sfvrsn=26>
- See pages 29-30 of NiSource’s March 8, 2017 Investor Day presentation:
http://files.shareholder.com/downloads/NI/4173282977x0x931979/84430952-769C-4D78-B8B6-823BFA4A934B/NI_2017_Investor_Day.pdf

Community Safety and Energy Infrastructure Reliability:

NiSource’s \$30 billion long-term infrastructure modernization program is rooted in safety and reliability. In 2016, we improved process and replaced more than 400 miles of priority pipe, 60 miles of underground electric cable and 1,205 electric poles – all leading to a safer and more reliable system. We’ve reduced our average emergency response time (when responding to natural gas emergency calls) significantly (10 percent in 2016), reduced the number of damages to our facilities (14 percent in 2016) and reduced the number of leaks found on our system (14 percent). In addition, our electric outage frequency completed the year in the top quartile and we reduced natural gas low-pressure system outages by 37 percent.

Community Safety:

- See pages 5-7 of NiSource’s 2017 Integrated Annual Report:
<https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-integrated-annual-report-pdf.pdf?sfvrsn=46>
- See page 14 of NiSource’s Sustainability Scorecard:
<https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-sustainability-scorecard.pdf?sfvrsn=26>
- See pages 29-32 of NiSource’s March 8, 2017 Investor Day presentation:
http://files.shareholder.com/downloads/NI/4173282977x0x931979/84430952-769C-4D78-B8B6-823BFA4A934B/NI_2017_Investor_Day.pdf

Energy Infrastructure Reliability:

- See NiSource’s Sustainability Website: www.nisource.com/sustainability
- See NiSource’s 2017 Integrated Annual Report: <https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-integrated-annual-report-pdf.pdf?sfvrsn=46>
- See NiSource’s March 8, 2017 Investor Day presentation: http://files.shareholder.com/downloads/NI/4173282977x0x931979/84430952-769C-4D78-B8B6-823BFA4A934B/NI_2017_Investor_Day.pdf
- See page 6 of NiSource’s Sustainability Scorecard: <https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-sustainability-scorecard.pdf?sfvrsn=26>

Managing and Reducing Emissions:

In early 2016, [NiSource joined the EPA’s Natural Gas STAR Methane Challenge as a founding member](#), reinforcing our commitment to investments that improve safety and reliability while reducing methane emissions. And, in late 2016, we outlined a [plan to retire 50 percent of our coal-fired electric generation fleet by 2023](#).

Our business plan raises the bar on environmental improvements, including actions to reduce risks and improve our environmental performance. To support this focus, we’ve identified milestones through 2025 to reduce our methane and electric greenhouse gas emissions, water withdrawals, wastewater discharge and coal ash. These proactive initiatives are expected to reduce emissions to a level exceeding the goals of the Paris Agreement and the Clean Power Plan.

2025 Reduction Targets from 2005 Levels	
Nitrogen Oxides, Sulfur Dioxide and Mercury	90%
Water Withdrawal	90%
Wastewater Discharge	90%
Coal Ash Generated	60%
Carbon Dioxide (Electric Generation)	50%
Methane	50%

- See pages 4-5 of NiSource’s 2016 Integrated Annual Report: <https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-integrated-annual-report-pdf.pdf?sfvrsn=46>
- See page 7 of NiSource’s 2016 Sustainability Scorecard: <https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-sustainability-scorecard.pdf?sfvrsn=26>
- See NiSource’s 2016 Greenhouse Gas Report: <https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-nisource-greenhouse-report.pdf?sfvrsn=16>

Managing Future Capacity Requirements:

In our NIPSCO Integrated Resource Plan submitted in November 2016, we outlined a plan to retire 50 percent of our coal-fired generating capacity by the end of 2023. We are evaluating the most viable options to meet long-term customer needs, while maintaining our commitment to the well-being of our employees potentially impacted by this change.

- See pages 4-5 of NiSource's 2016 Integrated Annual Report:
<https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-integrated-annual-report-pdf.pdf?sfvrsn=46>
- For additional information, see:
 - NiSource's Annual Report on Form 10K
 - NIPSCO's Integrated Resource Plan: www.nipsco.com/irp
 - Pages 24-26 of NiSource's March 8, 2017 Investor Day presentation:
http://files.shareholder.com/downloads/NI/4173282977x0x931979/84430952-769C-4D78-B8B6-823BFA4A934B/NI_2017_Investor_Day.pdf

Renewable Energy:

In response to customer interest, NIPSCO offers optional programs aimed at promoting renewable generation opportunities in northern Indiana. In addition to contributing to improved environmental performance, these programs help reduce the need for NIPSCO to invest in additional power generation resources as the demand for energy continues to rise. One of these programs allows customers to generate their own electricity from renewable energy to offset their individual usage each month. Another similar program provides an opportunity for customers to sell back the electricity generated from renewable energy projects. A third program allows electric customers to designate a percentage of their monthly electric usage to be attributable to power generated by renewable energy sources.

In 2016, customers generated more than 107,000 megawatt hours from renewable resources, and more than 358,000 megawatt hours since 2011.

- See page 12 of NiSource's 2016 Integrated Annual Report:
<https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-integrated-annual-report-pdf.pdf?sfvrsn=46>

Regulatory Environment:

Most of NiSource's net revenues are subject to economic regulation at either the federal or state level. NiSource operates in constructive regulatory environments and has established recovery mechanisms in each state.

In 2016, working collaboratively with stakeholders, we achieved base rate case settlement approvals in Indiana, Kentucky, Maryland and Pennsylvania. We also reached a base rate case settlement agreement in Virginia in January 2017. These cases focused on supporting the continued safe, reliable operation of our systems. Many also support customer growth initiatives, employee training and various customer programs. Together, these cases represent an increase in annual revenues of more than \$150 million. In addition to base rate cases, our teams also filed annual tracker updates related to their respective infrastructure modernization programs, including:

- Indiana (NIPSCO Gas): Transmission, Distribution and Storage System Improvement Charge (TDSIC)
- Kentucky: Accelerated Main Replacement Program (AMRP)
- Maryland: Strategic Infrastructure Development and Enhancement (STRIDE)
- Massachusetts: Gas System Enhancement Plan (GSEP)
- Ohio: Infrastructure Replacement Program (IRP)

- Pennsylvania: Distribution System Improvement Charge (DSIC) or Base Rate Case with Fully Forecasted Test Year
- Virginia: Steps to Advance Virginia’s Energy Plan (SAVE)

These regulatory programs above and those highlighted through our regular investor communications are expected to allow us to begin earning on 75 percent of our capital investments in less than 12 months.

Complementary to information disclosed in our Form 10K, see:

- Pages 10-11 of NiSource’s 2016 Integrated Annual Report:
<https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-integrated-annual-report-pdf.pdf?sfvrsn=46>
- Pages 12 and 21, and 48-56 of NiSource’s March 8, 2017 Investor Day presentation:
http://files.shareholder.com/downloads/NI/4173282977x0x931979/84430952-769C-4D78-B8B6-823BFA4A934B/NI_2017_Investor_Day.pdf

Employee Engagement, Inclusion & Diversity:

Employee Engagement

Engaged employees are more committed and provide better service to our customers. We measure employee engagement through our annual employee survey. We review the survey results with employees to hear their ideas and share ways we can work together to address areas of concern. Overall, employees ranked NiSource with 78 percent favorability in 2016. Top survey highlights include: safety (90%), total engagement (87%) and proud to work at NiSource (88%).

Diversity

Our success also depends on being open to new ways of thinking that can make us a better community partner and a stronger company. Through our four-part Inclusion & Diversity (I&D) strategy, we’re strengthening our culture that enables all of our employees to contribute to their fullest potential by:

1. Enabling local I&D councils and Employee Resource Groups to support development opportunities, and create cultural awareness, community engagement and networking opportunities.
2. Building an environment where inclusiveness is a priority.
3. Accelerating the development of our diverse workforce.

Summary Diversity Statistics:

Total Employees

7,987 Total: Men 72% | Women 28% | Minorities 14%

Total Management (Manager & Above)

723 Total: Men (71%) | Women (29%) | Minorities (11%)

- See pages 14-16 of NiSource’s 2016 Integrated Annual Report:
<https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-integrated-annual-report-pdf.pdf?sfvrsn=46>
- For additional information, see:
 - Page 8 of NiSource’s 2016 Sustainability Scorecard:
<https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-sustainability-scorecard.pdf?sfvrsn=26>
 - Pages 10-14 of NiSource’s 2016 Supplemental Sustainability Data Tables:
<https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-supplemental-sustainability-data.pdf?sfvrsn=20>

Corporate Citizenship:

Across NiSource, giving back is part of our local community commitment, and in 2016 we contributed approximately \$5.5 million to nonprofit organizations—including \$1.2 million by the NiSource Charitable Foundation. Our employees are also donating their time to make our communities better places to live, work and play, and volunteered more than 13,500 hours at local nonprofits last year. The NiSource Charitable Foundation supports this engagement through its Dollars for Doers program, which recognizes employee volunteerism hours with charitable donations in the employee's name.

- See inside cover and pages 7-10 of NiSource's 2016 Integrated Annual Report: <https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-integrated-annual-report-pdf.pdf?sfvrsn=46>
- See page 8 of NiSource's 2016 Sustainability Scorecard: <https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-sustainability-scorecard.pdf?sfvrsn=26>

Shareholder Value:

Our strategic plan offers a compelling annual 8%-10% total shareholder return proposition (at a constant PE ratio)

Aspiration: Premier Regulated Utility Company

Strategic Direction: Delivering on Our Commitments

- Industry-leading safety and performance
- Top-tier customer satisfaction
- Investments that systematically and efficiently deliver service integrity
- Dependable, predictable and timely service and emergency response
- Growing our customer base by expanding into unserved areas
- Recognized among the best places to work in our communities
- Sustained year-to-year 5%-7% net operating earnings per share and dividend growth through 2020*

Value Proposition: Compelling Annual Total Shareholder Return of 8%-10%**

- ~\$30B of identified 100% regulated utility infrastructure investments
- Scale across seven states
- Transparent earnings and cash flow drivers
- Constructive regulatory environments and mechanisms
- Commitment to investment grade credit

* Net Operating Earnings from Continuing Operations (Non-GAAP); See slide 2 of the March 8, 2017 Investor Day Presentation – linked below – regarding unavailability of GAAP equivalent of earnings guidance; Dividends subject to Board approval

** Estimated total shareholder return at a constant P/E ratio

- See pages 35-44 of NiSource's March 8, 2017 Investor Day presentation: http://files.shareholder.com/downloads/NI/4173282977x0x931979/84430952-769C-4D78-B8B6-823BFA4A934B/NI_2017_Investor_Day.pdf
- See NiSource's 2017 Integrated Annual Report: <https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-integrated-annual-report-pdf.pdf?sfvrsn=46>

ESG/Sustainability Reporting & Transparency (Based on 2016 Data)

- **2016 Integrated Report:** <https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-integrated-annual-report-pdf.pdf?sfvrsn=46>
- **2016 Sustainability Scorecard:** <https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-sustainability-scorecard.pdf?sfvrsn=26>
- **Investor Day Presentation (March 2017):**
http://files.shareholder.com/downloads/NI/4173282977x0x931979/84430952-769C-4D78-B8B6-823BFA4A934B/NI_2017_Investor_Day.pdf
- **2016 Supplemental Sustainability Data Tables:**
<https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-supplemental-sustainability-data.pdf?sfvrsn=20>
- **2016 Greenhouse Gas Report:** <https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-nisource-greenhouse-report.pdf?sfvrsn=16>
- **2016 Global Reporting Initiative (G4):**
<https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2017-global-reporting-intiative-table.pdf?sfvrsn=24>
- **Carbon Disclosure Project (2016):**
<https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-cdp-climate-change-response.pdf?sfvrsn=6>
- **Third-Party Verification/Assurance:**
<https://www.nisource.com/docs/librariesprovider2/sustainability-archives/2016/2016-global-reporting-intiative-assurance-statement.pdf?sfvrsn=24>

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