



## 2017 Sustainability Scorecard

A Supplement to NiSource's 2017 Integrated Annual Report



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Our business strategy is built on seven commitments that drive our aspirations well into the future.

As we execute on our business priorities, we are relentlessly focused on creating value across a set of operational, social and financial performance factors, and are more confident than ever that our well-established, customer-focused business strategy is sustainable for many years to come.

Using these commitments, we've identified milestones that our teams are working to achieve. This Sustainability Scorecard, a supplement to our 2017 Integrated Annual Report, highlights the key metrics and milestones we track regarding the company's priorities and stakeholder materiality. Please refer to the definitions at the end of the scorecard for additional context.

Additional related information is available in our Supplemental Sustainability Data document, which includes additional historical measurements and sustainability metrics commonly tracked and requested by individual stakeholders. These supporting materials and the Global Reporting Initiative (GRI) Table are available on our website at [NiSource.com/Sustainability](http://NiSource.com/Sustainability).





## NiSource Stakeholder Commitments

These seven commitments define our direction as a company and how we'll track progress on our path forward:

- Industry-leading safety performance
- Top-tier customer value and brand perception
- 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



\* See Regulation G Disclosure Statement on page 12. For a reconciliation of non-GAAP earnings to GAAP earnings, see Schedule 1 on page 13.



## Industry-Leading Safety Performance and Emergency Response

- At the foundation of our business is the safety of and care for our customers, employees, business partners and the public
- Our safety goal is always to be incident free
- Our employees achieved record-level safety performance in 2017
- All key safety metrics solidly improved over 2016 performance
- Our focus is on risk awareness and risk reduction



MEASURE	CURRENT MILESTONE	2017 STATUS	2016 STATUS	CURRENT PERFORMANCE
DART Rate	Industry Top Decile by Year-End 2018	0.43	0.82	Top Decile
Recordable Injury Rate	Industry Top Decile by Year-End 2018	0.91	1.55	Top Decile
Preventable Vehicle Collision Rate	Industry Top Decile by Year-End 2018	1.67	1.83	Top Quartile
Business Partner DART Rate*	Industry Top Decile by Year-End 2018	0.50	0.49	Top Decile
Business Partner Recordable Injury Rate*	Industry Top Decile by Year-End 2018	1.22	0.97	Top Quartile
Facility Damage Prevention Rate	Industry Top Quartile by Year-End 2018	2.33	2.41	Second Quartile
Emergency Response Time	98% of Emergency Response <45 Minutes by Year-End 2018	96%	96%	Approaching Milestone

\* 2017 includes the addition of subcontractors to our metrics.



## Top-Tier Customer Value and Brand Perception

- Committed to transforming our customer experience by adopting best practices across all customer touchpoints
- Fostering a customer-centric culture among employees, enhancing our processes and implementing new technologies to meet customers' changing expectations
- Continued support of customer programs to help ensure affordability, increase comfort and reduce energy usage
- Promoting several programs allowing customers to generate electricity using renewable resources

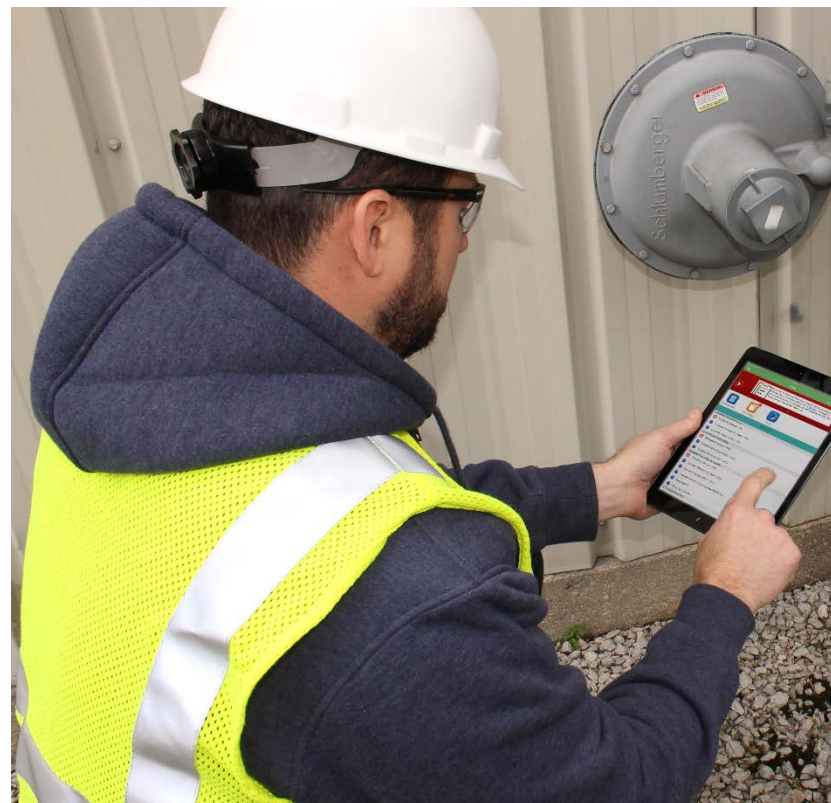


MEASURE	MILESTONE	2017 STATUS	2016 STATUS	CURRENT PERFORMANCE
J.D. Power Residential Score	Industry Top Quartile by Year-End 2018	Second Quartile	Third Quartile	Approaching Milestone
On-Time Appointment Rate	99% by Year-End 2018	97%	98%	Approaching Milestone
Customer Satisfaction	90% by Year-End 2018	88%	87%	Approaching Milestone
LiHEAP Funding	-	\$46M	\$54M	Advocating for Full Funding
Energy Efficiency - Customer Participation	-	~900,000 Customers	~600,000 Customers	-
Energy Efficiency - Energy/Dollars Saved	-	~\$21M	~\$12M	-
Customer Renewable Electric Generation (Feed-In Tariff)	-	~114,000 Megawatt Hours More than 473,000 Megawatt Hours Since 2011	~107,000 Megawatt Hours More than 358,000 Megawatt Hours Since 2011	-



## Investments That Systematically and Efficiently Deliver Service Integrity

- Record level capital investment driving utility infrastructure safety and reliability improvements
- Engaged in a robust, multi-year effort to replace existing cast iron and unprotected steel natural gas distribution pipes with modern, state-of-the-art materials, such as advanced plastics and protected steel
- Leading a long-term effort to modernize our electric systems, as well as overhaul our electric generation fleet to meet long-term energy needs and improve environmental performance
- Creating supply chain diversity focused on reflecting the communities where we do business



MEASURE	MILESTONE	2017 STATUS	2016 STATUS	CURRENT PERFORMANCE
Capital Investment	2017-2020: \$1.6B-\$1.8B Annually	\$1.7B	\$1.5B	On Track
Miles of Priority Pipe Replaced	>350 Miles per Year	377 Miles Replaced	406 Miles Replaced	On Track
Natural Gas System Leaks Found	Continued Reduction	1.5% Reduction in Leaks Found (2017 vs. 2016)	14% Reduction in Leaks Found (2016 vs. 2015)	On Track
Total Diverse Supplier Spend	14% by Year-End 2020	9.9%	7.9%	On Track
NiSource Diverse Suppliers	5% by Year-End 2020	3.2%	3.2%	Approaching Milestone
NiSource Diverse Supplier Spend (\$1M+)	12% by Year-End 2020	12%	9.6%	On Track



## Targeted Environmental Improvements

- Our business plan raises the bar on environmental improvements, including actions to reduce risks and improve our performance
- Milestones through 2025 to reduce greenhouse gas and other air emissions, water withdrawal and coal ash generated
- Plan outlined to retire 50 percent of our coal electric generating capacity by the end of 2023



MEASURE	MILESTONE	2017 STATUS	2016 STATUS	CURRENT PERFORMANCE
<b>GAS</b>				
EPA Natural Gas STAR Methane Challenge	1.5% Per Year - Priority Pipe Replacement	4.3% Priority Pipe Replaced	6.2% Priority Pipe Replaced	On Track
Methane Emission Reduction (Service & Main Lines)	>50% Reduction (2005-2025)	>30% Reduction (2005-2017)	>25% Reduction (2005-2016)	On Track
<b>ELECTRIC</b>				
Carbon Dioxide	>50% Reduction (2005 - 2025)	>40% Reduction Since 2005	>40% Reduction Since 2005	On Track
Nitrogen Oxide Sulfur Dioxide Mercury	>90% Reduction (2005 - 2025)	>80% Reduction Since 2005	>80% Reduction Since 2005	On Track
Water Withdrawal	>90% Reduction (2005 - 2025)	>20% Reduction Since 2005	>15% Reduction Since 2005	On Track
Coal Ash Reduction	>60% Reduction (2005 - 2025)	>35% Reduction Since 2005	>35% Reduction Since 2005	On Track

\* Additional environmental data and metrics (including greenhouse gas emissions) are covered in the Supplemental Sustainability Data available at [NiSource.com/sustainability](https://www.nisource.com/sustainability).



## Recognized Among the Best Places to Work in Our Communities

- Respecting individuality while fostering collaboration, rewarding performance and providing the tools and resources our employees need to build a career
- National recognition from *Forbes* magazine, the Human Rights Campaign Foundation, the Ethisphere Institute and others
- Actively engaged in the community through volunteerism and philanthropy, making them great places to live and call home



### Employee Resource Groups

**DAWN:** Developing and Advancing Women at NiSource; **GENesis:** The next generation of the company; **GOLD:** Generating Opportunities for Latinos and Diversity; **LEAD:** Leadership & Education for African-American Development; **NiPride:** To recruit, retain, develop and support LGBTQ employees and allies (New in 2017); **NiVets:** NiSource Veterans and their supporters; **PACE:** Promoting Asian Culture and Engagement.

MEASURE	MILESTONE	2017 STATUS	2016 STATUS	CURRENT PERFORMANCE
Number of Employees*	-	8,167	7,987	-
Employee Engagement	Recognized as a High-Performing Organization	91%	87%	On Track
Would Recommend NiSource as a Great Place to Work	Recognized as a High-Performing Organization	88% of Employees	83% of Employees	On Track
New Hire Experience Index	-	87%	90.5%	-
Dollars for Doers Employee Volunteer Hours	>10,000 Hours per Year	~12,107	~13,500	On Track
NiSource Charitable Giving	-	~\$6.3M, including \$1.3M from the NiSource Charitable Foundation	~\$5.5M, including \$1.2M from the NiSource Charitable Foundation	-

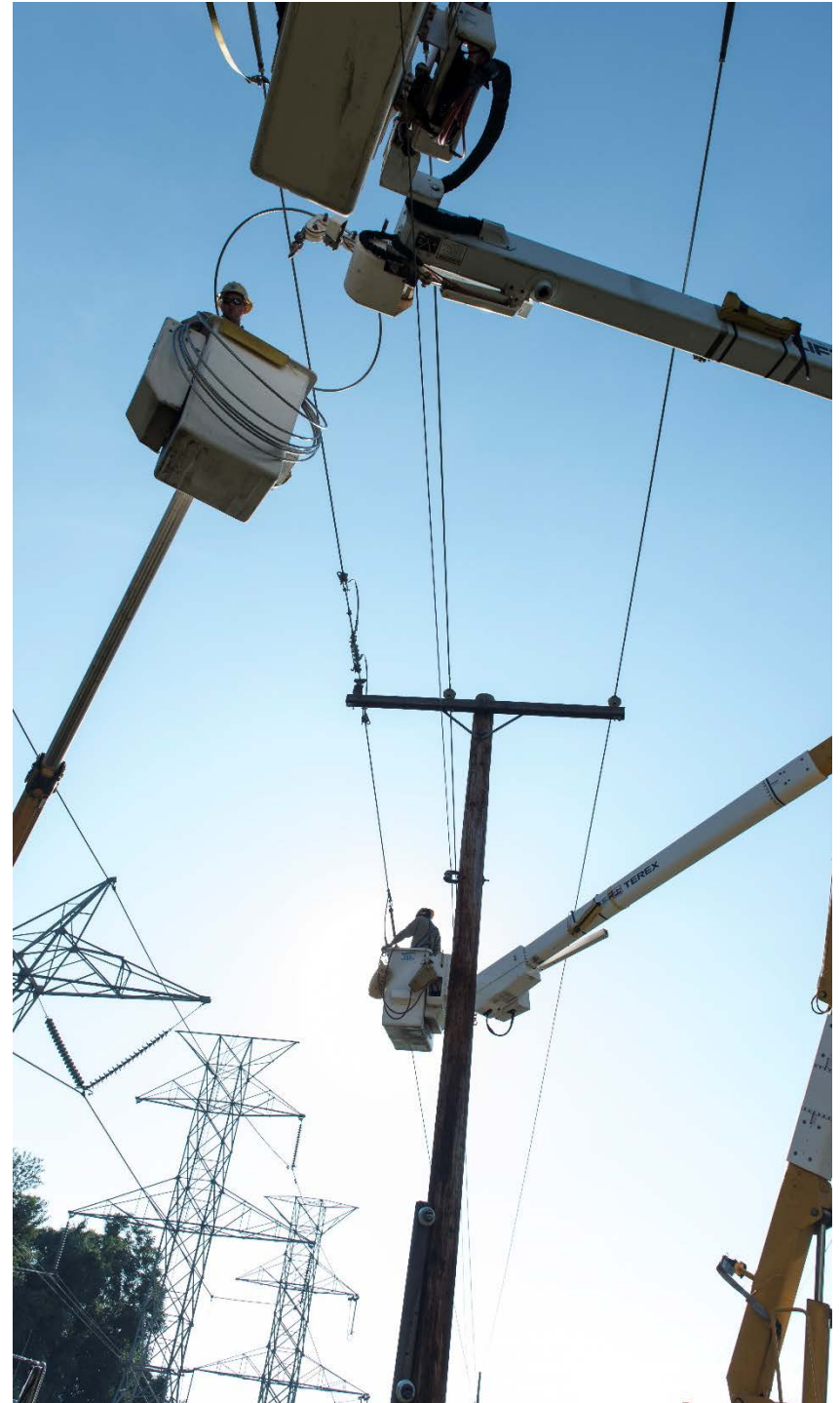
\* Numbers do on include employees on leaves of absence.



## Recognized Among the Best Places to Work in Our Communities

### Select Recognition:

- Dow Jones Sustainability Index-North America Member (Four Years)
- World's Most Ethical Companies by the Ethisphere Institute (Seven Years)
- One of America's Best Large Employers by *Forbes* (Two Years) – Named the top utility in 2017
- A Best Place to Work For LGBTQ Equality by the Human Rights Campaign
- Among the Top 100 Global Energy Leaders by Thomson Reuters
- Named to FTSE4Good Index by FTSE Russell





## Creating Shareholder Value, Growing Our Customer Base

- 100% regulated natural gas and electric utility business
- \$30B of identified infrastructure investments
- Commitment to healthy balance sheet, growing cash flow and investment-grade credit
- Expected annual net operating earnings per share and dividend growth of 5%-7% through 2020\*



MEASURE	MILESTONE	2017 STATUS	2016 STATUS	CURRENT PERFORMANCE
Customer Growth	Sustained 1% Annual Growth (Net) by 2020	0.81%	0.89%	On Track
Net Operating Earnings Per Share Guidance (Non-GAAP)*	2016: \$1.05 - \$1.10 Per Share 2017: \$1.17 - 1.20 Per Share	\$1.21	\$1.09	On Track
Net Operating Earnings Per Share Growth (Non-GAAP)*	2016: 4%-6% Growth 2017-2020: 5% -7% Growth	11% Growth	16% Growth	On Track
Earnings Per Share - Continuing Operations (GAAP)	-	\$0.39	\$1.02	-
Operating Income (GAAP)	-	\$910.6M	\$858.2M	-
Annual Dividend Growth	2016: 4% - 6% Growth 2017-2020: 5% -7% Growth	\$0.70 (9% Growth)	\$0.64 (6.5% Growth)	On Track
Total Shareholder Return	-	19%	17%	-

\* See Regulation G Disclosure Statement on page 12. For a reconciliation of non-GAAP earnings to GAAP earnings, see Schedule 1 on page 13.



## Definitions

- **Additional Customer Assistance Programs:** Company and other available programs and may include rebates, special payment programs, among various other initiatives.
- **Customer Satisfaction:** This metric is based on a third-party customer survey measuring the percent of customers who say we met or exceeded their expectations in a recent interaction.
- **Days Away Restricted or Transferred Rate (DART):** The number of OSHA recordable incidents that resulted in lost time, restricted or transferred to other work incidents for every 200,000 hours worked (or approximately per every 100 employees).
- **Emergency Response Time:** The percent of the time a gas LDC responds to an emergency (odor of gas) in less than 45 minutes.
- **Facility Damage Prevention:** The number of excavation and demolition damages to underground facilities per one thousand locate requests received through a state one-call center in a given time period.
- **JD Power Residential Score:** A quarterly survey sent out by J.D. Power that ranks us in many customer service related topics.
- **LDC:** Local distribution company; A local gas company responsible for distributing gas to its customers.
- **New Hire Experience Index:** Combines a number of factors including retention, safety and engagement to assess our effectiveness in recruiting and bringing new employees on board.
- **NiSource Diverse Supplier Spend \$1M+:** Percentage of diverse suppliers with which we spend more than one million dollars annually.
- **NiSource Diverse Suppliers:** Measures the percentage of all suppliers across our companies that fall within the definition of diverse supplier.
- **On-Time Appointment Rate:** The percent of customer-generated appointments that are met within the appointment window or according to state regulation, where applicable.
- **OSHA Incidence Rate:** The number of OSHA recordable incidents for every 200,000 hours worked (or approximately per every 100 employees).
- **Preventable Vehicle Crash Rate:** A measure of the number of company vehicle accidents deemed "preventable" under a reasonable standard.
- **Top Decile:** Rated in the top 10 percent of our industry.
- **Top Quartile:** Rated in the top 25 percent of our industry.
- **Total Diverse Supplier Spend:** Percentage of total supplier dollars spent with diverse suppliers.
- **Total Shareholder Return:** Stock price appreciation + Annual dividend amount, divided by the year-end closing stock price for the previous year-end.



## **FORWARD-LOOKING STATEMENTS**

This report contains “forward-looking statements,” within the meaning of the federal securities laws. Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. Examples of forward-looking statements include, but are not limited to, statements concerning NiSource’s plans, strategies, objectives, expected performance, expenditures, recovery of expenditures through rates, and any and all underlying assumptions and other statements that are other than statements of historical fact. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially. Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this report include, among other things, NiSource’s debt obligations; any changes to the credit rating of NiSource or certain of its subsidiaries; NiSource’s ability to execute its growth strategy; changes in general economic, capital and commodity market conditions; pension funding obligations; economic regulation and the impact of regulatory rate reviews; NiSource’s ability to obtain expected financial or regulatory outcomes; any damage to NiSource’s reputation; compliance with environmental laws and the costs of associated liabilities; fluctuations in demand from residential and commercial customers; economic conditions of certain industries; the success of NIPSCO’s electric generation strategy; the price of energy commodities and related transportation costs; the reliability of customers and suppliers to fulfill their payment and contractual obligations; potential impairments of goodwill or definite-lived intangible assets; changes in taxation and accounting principles; potential incidents and other operating risks associated with NiSource’s business; the impact of an aging infrastructure; the impact of climate change; potential cyber-attacks; construction risks and natural gas costs and supply risks; extreme weather conditions; the attraction and retention of a qualified workforce; advances in technology; the ability of NiSource’s subsidiaries to generate cash; uncertainties related to the expected benefits of the Separation; the ability of NiSource to manage new initiatives and organizational changes; the performance of certain third-party suppliers upon which NiSource relies; NiSource’s ability to obtain sufficient insurance coverage; and other matters set forth in Item 1A, “Risk Factors” of the accompanying Annual Report on Form 10-K for the year ended December 31, 2017, many of which risks are beyond the control of NiSource. In addition, the relative contributions to profitability by each business segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time.

All forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statements. NiSource undertakes no obligation to, and expressly disclaims any such obligation to, update or revise any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events or changes to the future results over time or otherwise, except as required by law.

## **REGULATION G DISCLOSURE STATEMENT**

This report includes financial results and guidance for NiSource with respect to net operating earnings, which is a non-GAAP financial measure as defined by the SEC’s Regulation G. The company includes this measure because management believes it permits investors to view the company’s performance using the same tools that management uses and to better evaluate the company’s ongoing business performance. With respect to such guidance, it should be noted that there will likely be a difference between this measure and its GAAP equivalent due to various factors, including, but not limited to, fluctuations in weather, the impact of asset sales and impairments, and other items included in GAAP results. The company is not able to estimate the impact of such factors on GAAP earnings and, as such, is not providing earnings guidance on a GAAP basis.



Schedule 1 - Reconciliation of Consolidated Income (Loss) from Continuing Operations to Net  
Operating Earnings (Non-GAAP) *(unaudited)*

	Three Months Ended December 31,		Twelve Months Ended December 31,	
<i>(in millions, except per share amounts)</i>	2017	2016	2017	2016
<b>GAAP Income (Loss) from Continuing Operations</b>	<b>\$ (52.4)</b>	<b>\$ 88.8</b>	<b>\$ 128.6</b>	<b>\$ 328.1</b>
<b>Adjustments to Operating Income:</b>				
<b>Operating Revenues:</b>				
Weather - compared to normal	(6.9)	7.2	30.2	12.4
<b>Operating Expenses:</b>				
Plant retirement costs <sup>(1)</sup>	-	22.1	1.5	22.1
IT service provider transition costs <sup>(2)</sup>	8.3	-	21.6	-
Transaction costs <sup>(3)</sup>	-	0.3	-	2.5
Loss (gain) on sale of assets and impairments, net	0.1	(0.6)	-	(1.0)
<b>Total adjustments to operating income</b>	<b>1.5</b>	<b>29.0</b>	<b>53.3</b>	<b>36.0</b>
<b>Other Income (Deductions):</b>				
Loss on early extinguishment of long-term debt	-	-	111.5	-
<b>Income Taxes:</b>				
Tax effect of above items	0.1	(10.2)	(57.0)	(12.9)
Income taxes - discrete items <sup>(4)</sup>	161.1	-	161.1	-
<b>Total adjustments to income from continuing operations</b>	<b>162.7</b>	<b>18.8</b>	<b>268.9</b>	<b>23.1</b>
<b>Net Operating Earnings (Non-GAAP)</b>	<b>\$ 110.3</b>	<b>\$ 107.6</b>	<b>\$ 397.5</b>	<b>\$ 351.2</b>
<b>Basic Average Common Shares Outstanding</b>	<b>337.5</b>	<b>322.9</b>	<b>329.4</b>	<b>321.8</b>
<b>GAAP Basic Earnings (Loss) Per Share From Continuing Operations</b>	<b>\$ (0.16)</b>	<b>\$ 0.28</b>	<b>\$ 0.39</b>	<b>\$ 1.02</b>
<b>Adjustment to Basic Earnings per Share from Continuing Operations</b>	<b>0.49</b>	<b>0.05</b>	<b>0.82</b>	<b>0.07</b>
<b>Non-GAAP Basic Net Operating Earnings Per Share</b>	<b>\$ 0.33</b>	<b>\$ 0.33</b>	<b>\$ 1.21</b>	<b>\$ 1.09</b>

<sup>(1)</sup> Represents employee severance costs incurred associated with the planned retirement of Units 7 and 8 at Bailly Generating Station. Includes costs for contract termination, employee severance and write downs of materials and supplies inventory balances.

<sup>(2)</sup> Represents contract termination costs and external legal and consulting costs associated with termination of the IBM IT services agreement and the transition to a new multi-vendor strategy for IT service delivery.

<sup>(3)</sup> Represents costs incurred associated with the separation of Columbia Pipeline Group, Inc.

<sup>(4)</sup> Represents the impact of adopting the provisions of the Tax Cuts and Jobs Act of 2017.