

Introduction

NiSource is among the Edison Electric Institute (EEl) and American Gas Association (AGA) member companies using the voluntary Environmental, Social, Governance (ESG) / Sustainability reporting template for investors. This information is being provided in response to the desire of investors and other stakeholders for ESG/Sustainability information that is consistent across the electric and gas utility sectors.

ESG/Sustainability Governance, Oversight & Management

NiSource’s [Environmental Safety & Sustainability \(ESS\) Board Committee](#) – currently comprised of five NiSource board members – assists the board in overseeing the programs, performance and risks relative to environmental, safety and sustainability matters. Its responsibilities include evaluating company environmental and sustainability policies, practices and performance related 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 following individuals play key roles in the ESG/Sustainability efforts at NiSource.

Oversight:

- President & Chief Executive Officer
- Executive Vice President & Chief Financial Officer
- Executive Vice President & Chief Legal Officer
- Executive Vice President, and President, NIPSCO
- Executive Vice President, and President Gas Utilities
- Chief Services Officer
- Executive Vice President Federal Government Affairs & Policy

Management:

- Sr. Vice President, Corporate Affairs
- Vice President, Environmental
- Vice President, Corporate Secretary & Deputy General Counsel
- Vice President, Deputy General Counsel, Environmental
- Vice President, Investor Relations & Treasurer
- Director, Environmental Policy
- Director, Corporate Communications
- Manager, Investor Relations
- Manager, Sustainability

ESG/Sustainability at NiSource

NiSource companies serve nearly 4 million natural gas and electric customers across seven states under the Columbia Gas and NIPSCO brands. We employ over 8,000 people who are engaged in the communities we serve. Our business strategy is built on seven commitments that drive our aspirations well into the future.

- 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
- Expected earnings per share and dividend growth of 5-7% annually (non-GAAP) through 2022*

Using these commitments, we’ve identified milestones that our teams are working to achieve. Our [sustainability scorecard](#), a supplement to our [2018 Integrated Annual Report](#), highlights the key metrics and milestones we track regarding the company’s priorities and stakeholder materiality.

**See Regulation G statement at the end of this document. Dividends subject to board approval.*



Managing and Adapting to ESG/Sustainability Issues

Safety and energy infrastructure reliability

NiSource's \$30 billion long-term infrastructure modernization program is rooted in safety and reliability. In 2018 alone, NiSource invested a record \$1.8 billion in its gas and electric utilities. We replaced 302 miles of priority pipe, 64 miles of underground electric cable and more than 1,300 electric poles – with the goal of enhancing the safety, reliability and environmental performance of our systems and supporting improved customer service.

At the foundation of our business is the safety and care of our customers, employees, business partners and the public. We continue to invest in safety improvements, implement policies and procedures, develop technical training and guidelines for our employees, and leverage new tools and technology to improve our maps, records and infrastructure performance.

Managing and reducing emissions

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 for 2025 and 2030 to reduce our methane and electric greenhouse gas emissions, other air emissions, water withdrawals, wastewater discharge and coal ash.

Measure	Reduction Milestones by 2025 from 2005 Baseline	Reduction Milestones by 2030 from 2005 Baseline	2018 Status (% reduction since 2005)	2017 Status (% reduction since 2005)
GAS				
Methane Emission Reduction (Service & Main Lines)	50%	50%+	35%	32%
ELECTRIC				
Greenhouse Gas	50%	90%+	37%*	43%
Nitrogen Oxide	90%	99%	79%*	80%
Sulfur Dioxide	90%	99%	96%	96%
Mercury	90%	99%	90%*	93%
Water Withdrawal	90%	99%	76%	21%
Water Discharge	60%	99%	81%	22%
Coal Ash Generated	50%	100%	37%*	39%

*The temporary decline in reduction progress is primarily attributable to short term increases in the dispatch of coal-fired generation. Significant reductions are expected as coal-fired generation is retired.

Electric generation strategy

NIPSCO publicly initiated its [2018 Integrated Resource Plan \(IRP\)](#) process with a stakeholder meeting on March 23, 2018. NIPSCO worked constructively with stakeholders to develop a balanced plan to meet customers' long-term electric energy needs. To evaluate risk, NIPSCO developed a base case portfolio and performed scenario and sensitivity analyses, including climate-related scenario analysis.

NIPSCO announced on September 19, 2018 that the analysis revealed the most viable option for customers would include moving up the retirement of a majority of its remaining coal-fired generation in the next five years and all coal within the next 10 years. Likely replacement options point toward lower-cost renewable energy resources such as wind, solar and battery storage technology.

NIPSCO outlined the electric generation strategy at a public meeting with customers, consumer representatives, environmental organizations and other stakeholders taking part in the company's Integrated Resource Planning (IRP) process.

The timeline for NIPSCO's five remaining coal-fired units identified in the analysis shows the expected retirement of its R.M. Schahfer Generating Station (Units 14, 15, 17 and 18) located in Wheatfield, Indiana no later than 2023, and its Michigan City Generating Station (Unit 12) located in Michigan City, Indiana by 2028.

Retiring the approximate 1,800 megawatts (MW) of coal-fired generation will significantly accelerate carbon reductions across the NIPSCO footprint and will result in further reductions, both in timing and magnitude, beyond previously announced 2025 targets.

Operation of NIPSCO's existing natural gas-fired Sugar Creek Generating Station in West Terre Haute, Indiana and the Norway and Oakdale Hydroelectric Dams along the Tippecanoe River will continue.

NIPSCO submitted the final plan to the Indiana Utility Regulatory Commission in November, 2018.

Methane emissions

In addition to our electric generation strategy, we have demonstrated our commitment to emissions reductions in our gas distribution operations. In 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 from pipeline replacements. Through our five-year Methane Challenge Program commitment, we estimate that our companies will collectively reduce methane emissions by more than 145,000 metric tons of carbon dioxide equivalent (CO₂e). And, by 2025 we expect to reduce methane emissions from mains and services by 50 percent from 2005 levels.

Our generation strategy, along with our Methane Challenge commitments are expected to reduce emissions to a level exceeding the goals of the Paris Agreement and the Clean Power Plan.

Integrating climate-related issues into our business strategy

NiSource's climate-related investments and initiatives include: providing energy-savings incentives for customers, procuring renewable energy resources, retiring our coal-fired electric generation capacity, and reducing methane emissions from company natural gas systems. NiSource is closely managing challenges associated with an aging infrastructure, including incorporating greenhouse gas and other environmental goals into our planning exercises. With an investment plan that includes approximately \$30 billion in infrastructure modernization programs that help reduce emissions, multiple energy efficiency programs for our customers, and an industry-leading regulatory platform, NiSource continues to plan for a carbon-reduced future.

Renewable energy

NIPSCO offers optional [customer programs](#) aimed at promoting renewable generation opportunities. One of these programs allows customers to generate their own electricity from renewable energy to offset their usage each month. Another 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 2018, customers generated over 123,000 megawatt hours from renewable resources, and nearly 597,000 megawatt hours since 2011.

As a result of the new generation strategy, NIPSCO [has finalized agreements with three experienced renewable energy developers](#) -- Apex Clean Energy, EDP Renewables North America LLC and NextEra Energy Resources, LLC. The new wind capacity is expected to be in operation by late 2020 with the three announced projects representing approximately 800 megawatts (MW) of nameplate capacity.

Based on NIPSCO's preferred plan, the amount of renewable energy resources NIPSCO is planning to add to its system over the next decade would more than double the amount of existing renewable energy in the state of Indiana.

The three projects were selected following a comprehensive review of bids submitted through the all source Request for Proposal (RFP) solicitation that NIPSCO ran as part of its 2018 Integrated Resource Plan process. This review concluded that wind and solar resources were shown to be lower cost options for customers compared to other energy resource options. NIPSCO has requested the addition of these new projects in filings with the Indiana Utility Regulatory Commission, and expects to announce additional renewable projects with plans to issue a second RFP later in 2019.

Energy efficiency and energy assistance programs

NiSource energy efficiency programs offer rebates or discounts on home energy audits, high-efficiency appliances and HVAC equipment, weatherization projects and smart thermostats. We advocate for federal funding to ensure that

customers who struggle to heat their homes in the winter and cool their homes in the summer have access to funds to help maintain their service. We also educate eligible customers about local energy assistance programs available and we offer payment options to help spread seasonal utility costs more evenly throughout the year.

Customer value and affordability

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 over the past 10 years, and we're taking steps to expand our customer base and become more efficient through technology and process enhancements to keep customer bills affordable while enhancing the customer experience.

NiSource operates in constructive regulatory environments and has established cost recovery mechanisms in each state. In 2018 NiSource companies made constructive progress on significant regulatory initiatives supporting our business plan, including approval of a capital expenditure program rider in Ohio; gas base rate case settlements in Indiana, Maryland and Pennsylvania; and a filed electric base rate case in Indiana.

For more ESG- and sustainability-related information please visit www.nisource.com/sustainability.

Related Links

[2018 EEI Quantitative Template – Version 1](#)

[2018 Integrated Annual Report](#)

[2018 Sustainability Scorecard](#)

[2018 Supplemental Sustainability Data](#)

[2018 NIPSCO Integrated Resource Plan](#)

[2017 CDP Response – Climate \(Submitted 8/14/18\)](#)

[2017 CDP Response – Water \(Submitted 8/15/18\)](#)

[2018 10-K](#)

Forward-Looking Statements

This document contains forward-looking statements within the meaning of 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 in this document include statements and expectations regarding NiSource's or any of its subsidiaries' business, performance, growth, commitments, investment opportunities, and planned, identified, infrastructure or utility investments. 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, plans, expectations and strategy discussed in this document include, among other things, NiSource's debt obligations; any changes in NiSource's credit rating; 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 or an inability to obtain an adequate, reliable and cost-effective fuel supply to meet customer demands; 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 our 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 work force; advances in technology; the ability of NiSource's subsidiaries to generate cash; tax liabilities associated with the separation of Columbia Pipeline Group, Inc.; NiSource's ability to manage new initiatives and organizational changes; the performance of third-party suppliers and service providers; the availability of insurance to cover all significant losses and other matters set forth in Item 1A, "Risk Factors" section of NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 and in other filings with the Securities and Exchange Commission. A credit rating is not a recommendation to buy, sell or hold securities, and may be subject to revision or withdrawal at any time by the assigning rating organization. In addition, dividends are subject to board approval. NiSource expressly disclaims any duty to update, supplement or amend any of its forward-looking statements contained in this document, whether as a result of new information, subsequent events or otherwise, except as required by applicable law.

Regulation G Disclosure Statement

This document includes financial results and guidance for NiSource with respect to net operating earnings available to common shareholders, 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.