

NiSource and Columbia Gas of Kentucky Maintain a Values-Based Ethics Program

INTRODUCTION

Lexington-based Columbia Gas of Kentucky is an energy-distribution center for NiSource, a Fortune 500 company that owns a portfolio of energy businesses. NiSource is involved in natural gas and electric transmission, storage, generation, and distribution. NiSource has seven energy-distribution centers serving more than 3.8 million customers. Its mission is to deliver “safe, reliable, clean and affordable energy” that benefits all stakeholders, including the environment. Columbia Gas of Kentucky serves more than 130,000 customers in 30 counties throughout Kentucky.

Columbia Gas of Kentucky and NiSource were recognized by *Ethisphere* magazine as one of the “World’s Most Ethical Companies” for the third consecutive year. Out of 30 countries, the Ethisphere Institute recognized Columbia Gas of Kentucky and its fellow NiSource as being among the most ethical 143 organizations picked. They were ranked according to their ethical leadership in ethics and compliance programs; reputation, leadership, and innovation; governance; and corporate citizenship and responsibility. NiSource has adopted four values that it promotes throughout its network. These values include fairness, honesty, integrity, and trust.

CODE OF BUSINESS CONDUCT

One of the secrets to the company’s ethical success has been a strong code of business conduct. NiSource’s code of business conduct stresses that good ethics is good business. The code is highly values-based; in the beginning of the code is a discussion of how its four values are placed into action as the NiSource Way. The NiSource Way can be divided further into five principles, including being respectful and inclusive, working together, delivering on commitments, being transparent, and doing the right thing—all aligned with fairness, honesty, integrity, and trust. Everything is centered on these four values in all of NiSource’s organizations—including Columbia Gas of Kentucky.

Some additional principles are found in Table 1. Notice that individual responsibility for ethics is the first principle listed. Also, notice how legal compliance further down the list. This stresses the fact that NiSource believes legal compliance is a floor, not a ceiling. Complying with the other principles involves being responsible, dealing ethically with stakeholders, and using company assets properly.

Table 1 Code of Conduct Principles

<p>Our responsibilities <i>We are responsible for our personal actions and for complying with the Code. We are responsible to know when, where and how to report an incident.</i></p>
<p>Maintaining a positive work environment <i>We will maintain a work environment that is inclusive, safe and healthy, and free from harassment, bias and violence.</i></p>
<p>Our commitment to fair and ethical dealings with others <i>We are committed to conducting our professional and business relationships with a high level of integrity. We will deal with others in a fair, honest and respectful manner.</i></p>
<p>Protection and proper use of our assets <i>We will properly maintain and protect the assets of the Company, including the information and records entrusted to our care.</i></p>
<p>Avoiding conflicts of interest <i>We will consider the business interests of the Company ahead of our personal financial interests and avoid any conflicts of interest.</i></p>
<p>Fair and accurate disclosure and financial reporting <i>We will maintain a high standard of completeness and accuracy in our financial records and reporting.</i></p>
<p>Good citizenship and compliance with laws <i>We take our legal obligations very seriously. We will strive to know, understand and comply with all laws, rules and regulations.</i></p>
<p>Using solid judgment and how to report <i>We will use solid business judgment in making decisions and adhere to the Company's policies and standards. If a situation arises that does not seem appropriate, we will seek the necessary resources to do what is right and will not retaliate against those who make a good faith effort to report any violation of the Code.</i></p>

Source: NiSource, Inc., *The NiSource Code of Business Conduct* (Merrillville, Indiana: NiSource Inc., 2014), p. 5.

The Code is set up with visual cues and sections to guide the employee. For instance, a quick reference toward the front of the code tells employees exactly where to look for some of the more common ethics issues that arise. Each of the principles listed in Table 1 has its own section. For instance, under responsibilities, the code lists the responsibilities that the company expects of its employees and provides information about how to report concerns or violations. Throughout these sections, the company has written specific questions that employees might ask about situations in which they find themselves. This includes definitions on policies that might be ambiguous. For instance, NiSource describes a bribe or kickback as *any* type of gift or payment used to influence a business decision. Another relevant example the Code provides involves using Internet-related resources. For example, NiSource discusses the ambiguity involved with Facebook and social media by stating that all company photos must be approved before being posted on anyone's personal social media page. These very practical guidelines help employees to navigate the often gray areas of business, particularly when technology such as social media is involved.

The company also publishes a yearly sustainability report. At NiSource and its energy-distribution center Columbia Gas of Kentucky, sustainability is not limited to the environment. Rather, the company sees sustainability as encompassing environmental stewardship, strong communities, customer-focused energy solutions, safe and knowledgeable teams, and shareholder value. Note that shareholder value, while acknowledged as important, is listed last. At the beginning of the report are goals developed to meet these criteria, as well as graphic depictions of how the company is currently doing in achieving these goals. For instance, NiSource's report shows that the company has exceeded many of its sustainability goals for the year. These criteria demonstrate that the company takes a stakeholder orientation toward its sustainability initiatives.

In terms of environmental stewardship, NiSource was named to the Dow Jones Sustainability Index in 2012. One of its major construction projects to be completed in 2014 is its Flue Gas Desulfurization (FGD) equipment estimated to reduce sulfur dioxide emissions by 95 percent. NiSource also has a Board of Directors' Environmental Health and Safety Committee that evaluates and approves NiSource's environmental policy, including policies concerning climate change. NiSource supports its communities through donations and outreach. In 2012 it contributed \$6.8 million toward nonprofit organizations. It also invested \$1.5 million toward public awareness activities.

SERVING CUSTOMERS

NiSource and Columbia Gas of Kentucky also adopted a customer orientation toward energy solution, with an emphasis on helping its customers save money and energy usage. NiSource's natural gas energy efficiency programs saved customers \$4.2 million. Its Customer CHOICE® program enables customers to reduce their energy costs by purchasing natural gas from non-utilities suppliers. NiSource's distribution companies implemented a customer relationship management program to strengthen relationships with customers and gather additional feedback. In terms of workplace teams and safety, NiSource has implemented a Safety Rewards Program as well as Safety sites through its NiSource intranet. As a result of its efforts, vehicle accidents have decreased 47 percent and safety incidents by 62 percent. NiSource also offers programs for leadership development. Finally, the report goes over how NiSource improves shareholder value. NiSource claims it outperformed the Dow Jones and Standard and Poor's indices with a total shareholder return of 8.5 percent.

On a more local level, Columbia Gas of Kentucky remains dedicated toward serving communities around the state. It has successfully engaged in cause-related marketing by tying its business operations to philanthropic activities beneficial to the community. For instance, in 2013 Columbia Gas of Kentucky partnered with the American Red Cross to offer lifesaving training to consumers and their families in Kentucky. For two months, Columbia Gas of Kentucky donated \$10 to the Red Cross for each customer that signed up for its paperless Direct e-Bill service. This service not only makes it easier for the company; it also contributes toward sustainability by using fewer paper resources. Approximately \$5,800 was donated to the Red Cross. Later in the year, Columbia Gas of Kentucky also partnered with the charitable organization Toys for Tots. For each customer who

signed up for its paperless Direct e-Bill service, \$15 would be sent to Toys for Tots, with a maximum of \$10,000.

CONCLUSION

NiSource offers a good example of how a company can be profitable as well as socially responsible. The company is dedicated toward sustainability and in giving back to its communities. It considers the well-being of stakeholders before taking action. Additionally, it is clear from NiSource's Code of Conduct that the firm empowers employees to take responsibility for making ethical decisions. This empowerment encourages employees to speak up and report observations that they are concerned about, contributing to a much stronger corporate culture. If NiSource stays on its current path, it is likely to continue earning recognition for its highly ethical conduct.

The value-based ethics and compliance program maintained by NiSource is implemented throughout all of its companies. Columbia Gas of Kentucky has been able to utilize the program elements and resources developed over the years by NiSource to create its ethical culture. There will always be challenges for Columbia Gas of Kentucky due to the various risks that it faces in the energy-distribution business. Besides all of the human resource management issues related to employee misconduct, it also faces numerous safety risks associated with the transmission, storage, and distribution of energy products. This case has highlighted the structural elements of its ethics program.

Based on research by the Ethics Resource Center, 41 percent of employees have observed misconduct in the workplace. About 63 percent of those who observed misconduct chose to report it. This makes it imperative that Columbia Gas of Kentucky actively encourage employees to report concerns or misconduct they observe. The top five observed types of misconduct include abusive behavior, lying to employees, conflicts of interest, violating company Internet policies, and employee discrimination. It is doubtful that Columbia Gas of Kentucky can avoid dealing with issues like these on a daily basis. Although Columbia Gas of Kentucky has established a strong set of values that can be generalized to all employees, various responsibilities within the company require specialized knowledge of the risks associated with the activities involved in the distribution of energy products. For instance, the code mentions the Federal Energy Regulatory Commission as well as the Commodity Futures Trading Commission because they directly apply to the energy business and NiSource's trading affiliates. The important thing is that the company provides ethical leadership and training to help managers cope with these types of firm-specific issues. Every company has to manage its risks and be prepared to respond to misconduct or ethical crises.

QUESTIONS

1. Describe how NiSource and Columbia Gas of Kentucky have adopted a stakeholder orientation.
2. How does NiSource's code of conduct contribute toward developing an ethical corporate culture?

3. Does Columbia Gas of Kentucky need specialized ethics and compliance training to deal with risks associated with various aspects of the distribution of natural gas, generation of electricity, and safety concerns?

Sources:

- Columbia Gas of Kentucky, "Columbia Gas of Kentucky Background," <https://www.columbiagasky.com/en/about-us> (accessed April 18, 2014).
- Columbia Gas of Kentucky, "Columbia Gas of Kentucky Offers Customers Chance to Help Brighten a Child's Holiday Season," October 1, 2013, <https://www.columbiagasky.com/en/about-us/newsroom/2013/10/01/columbia-gas-of-kentucky-offers-customers-chance-to-help-brighten-a-child-s-holiday-season> (accessed April 24, 2014).
- Columbia Gas of Kentucky, "Columbia Gas of Kentucky partners with Red Cross to make local difference," May 13, 2014, <https://www.columbiagasky.com/en/about-us/newsroom/2013/05/14/columbia-gas-of-kentucky-partners-with-red-cross-to-make-local-difference> (accessed April 24, 2014).
- Columbia Gas of Kentucky, "Columbia Gas of Kentucky shares in ethics award for third consecutive year," May 24, 2014, <https://www.columbiagasky.com/en/about-us/newsroom/2014/03/24/columbia-gas-of-kentucky-shares-in-ethics-award-for-third-consecutive-year> (accessed April 18, 2014).
- NiSource, Inc., "About Us," <http://www.nisource.com/en/about-us.aspx> (accessed April 18, 2014).
- NiSource, Inc., "Good Ethics, Good Business," <http://www.nisource.com/en/ethics> (accessed April 18, 2014).
- NiSource, Inc., NiSource 2012 Sustainability Report, <http://www.nisource.com/en/sustainability/sustainability-report.aspx> (accessed April 18, 2014).
- NiSource, Inc., *The NiSource Code of Business Conduct* (Merrillville, Indiana: NiSource Inc., 2014), p. 5.
- Dorothea Wingo, "Business awards: Week of April 7," Kentucky.com, April 7, 2014, <http://www.kentucky.com/2014/04/07/3183024/business-awards-week-of-april.html> (accessed April 18, 2014).