VECTREN CORP
Form DEF 14A
March 22, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

VECTREN CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Aggregate number of securities to which transaction applies:

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(1) Amount Previously paid:

(2) Form, Schedule or Registration Statement No.:

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(4) Date Filed:

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VECTREN CORPORATION

One Vectren Square

211 N.W. Riverside Drive

Evansville, Indiana 47708-1251

Notice of 2018 Annual Meeting of Shareholders

TO BE HELD MAY 16, 2018

To Shareholders of Vectren Corporation:

You are invited to attend our 2018 annual meeting of shareholders on Wednesday, May 16, 2018, at 10:00 a.m. (Central Daylight Time). The meeting will be held at our corporate offices located at One Vectren Square, 211 N.W. Riverside Drive, Evansville, Indiana. The items of business are:

1. Election of all directors;

2. Approve a non-binding advisory resolution approving the compensation of the Named Executive Officers (NEOs);

3. Ratify the appointment of Deloitte & Touche LLP (Deloitte) as the independent registered public accounting firm for Vectren Corporation and its subsidiaries for 2018; and

4. Consider any other business that is properly brought before the meeting or any adjournment of the meeting.

Shareholders of record at the close of business on March 9, 2018 are entitled to vote on the above items of business at the meeting and at any postponement or adjournment of the meeting. Pursuant to the rules of the Securities and Exchange Commission (SEC), proxy materials were delivered to many of our shareholders over the Internet. On March 22, 2018, these shareholders were mailed a Notice of Internet Availability of Proxy Materials containing instructions on how to access electronically this proxy statement and the 2017 annual report to shareholders. Shareholders who did not receive the Notice of Internet Availability will receive a copy of the proxy statement and annual report by mail. Whether or not you plan to attend the meeting, your vote is important and we urge you to vote promptly.

You may vote your shares by telephone at 1-866-883-3382, or	If you received a copy of the proxy by mail, you may vote by returning the enclosed proxy in the accompanying self-addressed envelope, or
You may vote your shares online via the Internet at www.proxypush.com/vvc, or	You may also vote in person at the annual meeting.

If your shares are held by a bank, broker or nominee, please review the voting options provided by them on your voter instruction form and act accordingly. As required by federal law, absent your vote, your broker, bank or nominee is not permitted to use its discretion to vote your shares on Items 1 and 2. For your vote to be counted, you will need to communicate your voting decisions on these matters to your bank, broker, or nominee. You can revoke your proxy at any time before it is exercised.

By order of the Board of Directors,

VECTREN CORPORATION

By: RONALD E. CHRISTIAN

Executive Vice President, Chief Legal and External Affairs Officer

and Corporate Secretary

Evansville, Indiana

March 22, 2018

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Location of May 16, 2018

Annual Shareholders Meeting

Vectren Corporation

One Vectren Square, 211 N.W. Riverside Drive

Evansville, IN 47708-1251

Shareholders will be provided parking in the lot at Vectren Corporation, One Vectren Square, 211 N.W. Riverside Drive, Evansville, Indiana. Vectren Corporation is located between Vine and Court Streets off Riverside Drive in Evansville.

Your Vote Is Important

Whether or not you plan to attend the meeting, your vote is important, and we urge you to vote promptly. You may vote your shares via a toll-free number or over the Internet. If you received a paper copy of the proxy card by mail, you may sign, date, and mail the proxy card in the envelope provided. You may revoke your proxy prior to or at the meeting and vote in person if you wish. If your shares are held by a broker, bank, or nominee, it is important that they receive your voting instructions.

Important Notice Regarding the Availability of Proxy Materials for the 2018

Annual Meeting of Shareholders to be Held on

May 16, 2018

10:00 a.m. (Central Daylight Time)

Our proxy statement for the 2018 annual meeting of shareholders and our annual report on Form 10-K for the year ended December 31, 2017 are available at www.vectren.com.

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Introduction

Proxy Statement

The following information is furnished in connection with the solicitation of the enclosed proxy by and on behalf of the Board of Directors (Board) of Vectren Corporation (the Company or Vectren). The proxy will be used at the annual meeting of shareholders to be held at the Company s corporate headquarters located at One Vectren Square, 211 N.W. Riverside Drive, Evansville, Indiana, on Wednesday, May 16, 2018, at 10:00 a.m. (Central Daylight Time), and at any adjournment of the meeting for the matters to be acted upon under its authority. Under the SEC rules that allow companies to provide proxy materials to shareholders over the Internet, proxy materials have been delivered to many of our shareholders in that manner. This delivery process provides these shareholders with the information they need, while at the same time conserving natural resources and lowering the cost of delivery. On March 22, 2018, these shareholders were mailed a Notice of Internet Availability of Proxy Materials (Notice) containing instructions on how to electronically access this proxy statement and the 2017 annual report to shareholders. The Notice also provides instructions on how to vote online or by telephone and on how to receive a paper copy of the proxy materials by mail. On March 22, 2018, we also first mailed this proxy statement and the enclosed proxy card to shareholders who will not receive the Notice.

Further, the SEC rules permit delivery of a single notice of annual meeting materials to one address shared by two or more shareholders. This delivery method, referred to as householding, conserves natural resources and avoids costs. Therefore, only a single notice or set of annual meeting materials was delivered to shareholders at a shared address. If you prefer to receive separate copies of the notice or annual meeting materials, contact Vectren Corporation s Shareholder Services Department by telephone at (800) 227-8625 or by e-mail at investors@vectren.com, and this material will be promptly delivered to you. If you are currently a shareholder sharing an address with another shareholder and wish to receive only one copy of future notices or annual meeting materials, contact Vectren Corporation s Shareholder Services Department at the above telephone number or email address.

Purposes of Meeting

As of this date, the only known business to be presented at the 2018 annual meeting of shareholders is 1) the election of directors of the Company to serve for a term of one year or until their successors are duly qualified and elected, 2) the approval of a non-binding advisory resolution approving the compensation of the Company s NEOs, and 3) the ratification of the appointment of Deloitte as the independent registered public accounting firm for the Company and its subsidiaries for 2018. The enclosed proxy authorizes the proxy holders to vote on these matters and on all other matters that may properly come before the meeting, and it is the intention of the proxy holders to take any such action utilizing their best judgment. Only shares held by those present at the meeting, or for which proxies are returned, will be considered to be represented at the meeting. For the purpose of determining a quorum, shares represented at the meeting are counted without regard to whether they are abstentions or broker non-votes as to any particular item.

Voting Securities

As of March 9, 2018, the Company had one class of capital stock outstanding, consisting of 83,078,086 shares of common stock without par value. The holders of the outstanding shares of common stock are entitled to one vote for each share held of record on each matter presented to a vote at the meeting. However, unless the holder personally appears and votes at the meeting, shares for which no proxy is returned (whether registered in the name of the actual holder or in the name of a bank, broker or nominee) will not be voted. Only shareholders of record at the close of business on March 9, 2018 will be entitled to vote at the meeting or at any adjournment of the meeting.

Solicitations of Proxies

The Board solicits your proxy for use at the meeting. Shares held in your name and represented by your proxy will be voted as you instruct if your proxy is duly executed and returned prior to the annual meeting. Shares represented by proxies that are returned signed but without instructions for voting will be voted as recommended by the Board. Shares represented by proxies that are returned unsigned or improperly marked will be treated as abstentions for voting purposes. You may revoke your proxy at any time before it is exercised by written notice to the secretary of the Company received prior to the time of the meeting or in person at the meeting.

If you are a participant in the Company s automatic dividend reinvestment and stock purchase plan, your proxy card will represent the number of shares registered in your name and the number of shares credited to your plan account. For those shares held in this plan, your proxy card will serve as direction to the plan administrator as to how your account is to be voted.

If your shares are held in a brokerage account, you may instruct your broker, bank, or other nominee to vote your shares by following instructions that the broker, bank, or nominee provides to you. Most brokers offer voting by mail, telephone, or via the Internet.

Cost and Method of Solicitation

The cost of preparing, assembling, printing, and mailing this proxy statement, the enclosed proxy and any other material which may be furnished to shareholders in connection with the solicitation of proxies for the meeting will be borne by the Company. The Company has retained D. F. King & Company to assist in soliciting proxies from shareholders, including brokers accounts, at an estimated fee of $10,000 plus reasonable out-of-pocket expenses. In addition, some of the officers and regular employees of the Company, who will receive no compensation in addition to their regular salaries for such solicitation, may solicit proxies by telephone, email, or personal visits. The cost of such additional solicitation, if any, is estimated to not exceed $5,000, and will be borne by the Company. The Company expects to reimburse banks, brokerages, and other custodians of the Company s stock for their reasonable charges and expenses in forwarding proxy materials to beneficial owners.

Revocation Rights

A shareholder executing and delivering the enclosed proxy may revoke it by written notice delivered to the secretary of the Company, or in person at the annual meeting, at any time before the authority granted by it is exercised.

Communications to Directors

The Company s Corporate Governance Guidelines provide that the independent members of the Board elect from the non-management directors a Lead Director whose primary responsibility is serving as chair of executive sessions of the non-employee and independent directors. A more in depth discussion of the responsibilities of the Lead Director is on page 14. In addition, the guidelines are posted on the Company s website at www.vectren.com. Those guidelines provide that the Lead Director is the chair of the Nominating and Corporate Governance Committee (Governance Committee). The current Lead Director is Jean L. Wojtowicz.

The Audit and Risk Management Committee (Audit Committee) is responsible for, among other things, establishing, reviewing, and updating a code of ethical conduct and ensuring that management has established a system to enforce this code. The Corporate Code of Conduct (titled Corp Code of Conduct) is located in the Corporate Governance section of the Company s website at www.vectren.com and applies to all employees, officers, and directors, including non-employee directors. The Audit Committee also ensures that the Company implements and follows necessary and appropriate financial reporting processes. The current chair of the Audit Committee is Michael L. Smith.

Shareholders and other parties interested in communicating directly with the Lead Director, chair of the Audit Committee, or with the non-employee directors as a group, may contact them by writing to:

Lead Director, Audit Committee chair, or Non-Employee Directors

Vectren Corporation

P. O. Box 3144

Evansville, IN 47731-3144

Interested parties may also contact the Company s Board Chair, President, and Chief Executive Officer (CEO), Mr. Carl L. Chapman, by directing the communication to him as follows:

Mr. Carl L. Chapman, Board Chair, President and Chief Executive Officer

Vectren Corporation

One Vectren Square

Evansville, IN 47708

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Access to Information

The Company s combined 2017 annual report and Form 10-K, inclusive of audited financial statements, was provided to shareholders electing to receive it by mail on or about March 22, 2018. You may request a copy of this information free of charge from:

Mailing Address:	**Phone Number:**	**Investor Relations Contact:**
Vectren Shareholder Services	1-800-227-8625	David E. Parker
One Vectren Square		Director, Investor Relations
Evansville, Indiana 47708		d.parker@vectren.com

Using the above information, you can also request copies of the Company s Corporate Code of Conduct (which is applicable to all of our employees, including the principal executive officer, the principal financial officer, and the principal accounting officer, as well as the non-employee members of the Board), the Corporate Governance Guidelines, and all Board committee charters. These are also available free of charge.

Alternatively, this financial and corporate governance information can be obtained on the Company s website at www.vectren.com.

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Item 1. Election of Directors

Election Process

The Board currently consists of one class of 11 directors. The Board recommends that the nominees listed herein, all of whom are currently serving as directors, be reelected to a new one-year term. All nominees have consented to serve if elected. Each director will serve until the next annual meeting or until he or she is succeeded by another qualified director.

If the enclosed proxy is returned signed but without voting instructions, the Board intends that the proxy will be voted by the proxy holders in favor of the election of the nominees named herein for the office of director of the Company to hold office for a term of one year or until their respective successors are duly qualified and elected. Directors are elected by a plurality of the votes cast. Plurality means that the individuals who receive the largest number of votes cast are elected up to the maximum number of directors to be chosen at the meeting. Abstentions, broker non-votes, and instructions on the accompanying proxy card to withhold authority to vote for one or more of the nominees might result in some nominees receiving fewer votes. However, the number of votes otherwise received by the nominee will not be reduced by such action. If, however, any situation should arise under which any nominee is unable to serve, the proxy holders may exercise the authority granted in the enclosed proxy for the purpose of voting for a substitute nominee.

Board policy provides for a majority vote standard for uncontested elections. Any nominee for director in an uncontested election who receives a greater number of votes withheld from his or her election than votes for his or her election (majority withheld vote) shall tender his or her resignation to the chair of the Governance Committee promptly following certification of the shareholder vote. The Governance Committee will promptly consider the tendered resignation and recommend to the Board whether to accept or reject it. In determining whether to recommend acceptance or rejection of the tendered resignation, the Governance Committee will consider all factors it deems relevant including, without limitation, the stated reasons why shareholders withheld votes from the director, the director s qualifications, the director s contributions to the Company, and the Company s Corporate Governance Guidelines.

The Board will act on the Governance Committee s recommendation no later than 90 days following the date of the shareholders meeting at which the election occurred. In deciding whether to accept the tendered resignation, the Board will consider the factors considered by the Governance Committee and any additional information and factors the Board believes to be relevant. Promptly following the Board s decision, that decision will be disclosed in a Form 8-K filed with the SEC along with a full explanation of the process by which the decision was reached.

If the Board accepts the director s resignation, the Governance Committee will recommend to the Board whether to fill the resulting vacancy or to reduce the size of the Board.

Any director who tenders his or her resignation pursuant to this policy will not participate in the Governance Committee recommendation or the Board consideration whether to accept or reject the resignation. If a majority of the members of the Governance Committee receive a majority withheld vote at the same election, then the independent directors who did not receive a majority withheld vote will appoint a Board committee consisting only of such independent directors solely for the purpose of considering the tendered resignations and will recommend to the Board whether to accept or reject them.

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Board Skills and Diversity

The Board, acting through the Governance and Nominating Committee, seeks to maintain an experienced and diverse group of leaders from a variety of backgrounds. Upon election of the director nominees at the Annual Meeting, the Board will have the following characteristics in place to help it achieve and maximize long-term strategic objectives for both the Company and its valued shareholders:

As discussed in the Report of the Nominating and Corporate Governance Committee, which begins on page 21, utilizing the skills diversity matrix as a framework, the Board has been and continues to be engaged in a director succession process, which is focused upon refreshing the Board and ensuring the directors, as a whole, have the optimal skills, diversity, and experience that will enable the Board to function at a high level on behalf of all Company stakeholders.

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Nominee Biographies

Certain information concerning the nominees of the Company is set forth below and under the caption Corporate Governance and Meetings and Committees of the Board of Directors. If not otherwise indicated, the principal occupation listed for any individual has been the same for at least five years. The nominees ages reported below are as of the record date, March 9, 2018.

DERRICK BURKS, age 61, has been a director of the Company since October 2017. Mr. Burks retired from the public accounting firm of Ernst & Young, LLP, on June 30, 2017, where he served as managing partner of the Indianapolis office for thirteen years. Prior to this time, Mr. Burks worked twenty-four years for the public accounting firm of Arthur Andersen, where he served for three years as managing partner of the Indianapolis office. Mr. Burks business experience spans small businesses, large multi-location corporations and public companies, including initial public offerings requiring SEC expertise. Throughout his career he has served companies in various industries, including energy, utilities, real estate, manufacturing, mass merchandising, and wholesale distribution. He also has substantial experience with mergers and acquisitions.

He is and has been actively involved in civic and community activities working with various agencies, including Indiana University s Kelley School of Business Dean s Advisory Council. He has been a member of the American Institute of CPAs and the Indiana CPA Society and is a former Commissioner of the Indiana State Board of Accountancy. Mr. Burks serves on the Board s Finance Committee and on the Audit and Risk Management Committee, where he provides valuable advice in his role as a designated Audit Committee Financial Expert .

CARL L. CHAPMAN, age 62, was elected as Board chair effective May 11, 2011. He has been a director of the Company since 2009 and has served as president and chief executive officer of the Company since June 2010. He served as president and chief operating officer of the Company from November 1, 2007 to May 31, 2010, as chief operating officer from August 1, 2004 to June 2010 and as executive vice president from March 31, 2000 to November 1, 2004. Prior to March 31, 2000, Mr. Chapman also served in other leadership roles with the Company and its predecessors. Mr. Chapman is a director of many of the Company s wholly-owned subsidiaries, including Indiana Gas Company, Inc. (Indiana Gas); Southern Indiana Gas and Electric Company (SIGECO); Vectren Utility Holdings, Inc. (VUHI); Vectren Energy Delivery of Ohio, Inc. (VEDO); Vectren Enterprises, Inc. (Enterprises); Vectren Infrastructure Services Corporation (VISCO); and Vectren Energy Services Corporation (VESCO). He serves as Board chair for VUHI, VISCO and VESCO. He also serves on the board of Taylor University.

Mr. Chapman has been in a leadership position with the Company since its inception in 2000. His decades of energy industry experience and his current and former duties on behalf of the Company and its predecessor, Indiana Energy, Inc., provides the Board with significant, direct operational and financial knowledge. His service on the Board enables him to continue to interact directly with the other members of the Board as they approve strategic decisions and future direction.

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JAMES H. DEGRAFFENREIDT, JR., age 64, has been a director of the Company since 2010. Mr. DeGraffenreidt is the retired chairman and chief executive officer of WGL Holdings, Inc. and Washington Gas Light Company, a natural gas utility serving over 1 million customers in the District of Columbia, Maryland and Virginia. He has significant experience as an attorney working on energy regulatory issues, as well as from his past service as chair of the American Gas Association and as former co-chair and board member of the Alliance to Save Energy. He is a director of Massachusetts Mutual Life Insurance Company, where he has formerly served as lead director, and he is a director of Harbor Bankshares Corporation, which is a public company. In July 2017, he began a three-year term as President of the Walters Art Museum Board of Trustees.

As the former chief executive officer of a New York Stock Exchange listed energy company, Mr. DeGraffenreidt brings not only a utility background to the Board, but also significant public company experience. During his career, Mr. DeGraffenreidt also served as a utility consumer advocate, which provides him with a particularly unique insight regarding the perspectives of the Company s stakeholders relating to the regulatory proposals put forth by the electric and natural gas utility businesses. His background and wide ranging expertise in the energy regulatory area enables him to provide valuable insight as a member of the Board. Mr. DeGraffenreidt serves on the Board s Corporate Responsibility and Sustainability Committee and the Board s Governance Committee.

JOHN D. ENGELBRECHT, age 66, has been a director of the Company since 2000. Mr. Engelbrecht is the chair and president of South Central Communications Corporation, which owns MUZAK franchises in 15 U.S. cities, as well as a number of other business investments.

Mr. Engelbrecht, as the chair and president of South Central Communications Corporation, brings strong managerial and marketing experience as the owner and operator of numerous businesses. His entrepreneurial background is particularly useful to the Board regarding its consideration of the Company s nonutility businesses. Mr. Engelbrecht is a well-respected business and community leader in southwestern Indiana, which is the heart of the Company s electric utility business. As a director from this area, he brings a unique insight on local issues of significance that is valuable to the mix of facts and circumstances considered by the Board. Mr. Engelbrecht s strengths and insights have positioned him as a valued member of the Board s Finance Committee and chair of the Board s Corporate Responsibility and Sustainability Committee.

ANTON H. GEORGE, age 58, has been a director of the Company since 2000. Mr. George is the principal of Vision Investments, LLC. He is chairman of the board and the former chief executive officer of Hulman & Company and its affiliates Clabber Girl Corporation, Indianapolis Motor Speedway Corporation, and Indy Racing League, LLC. He is a director of First Financial Corporation, a public company, and serves on the board of Rose Hulman Institute of Technology.

Mr. George, as the principal of Vision Investments, LLC, as well as, his prior experience as the chief executive officer of Hulman & Company and its affiliates, demonstrates his leadership ability and unique insight into the challenges and opportunities of running successful businesses.

Mr. George is a well-respected business and community leader in central Indiana, which is the heart of the service area for the Company s natural gas utility business. As a director from this area, Mr. George brings a unique insight on local issues of significance that is valuable to the mix of facts and circumstances considered by the Board. His experiences and insights have made him a valuable contributor to the Board s Compensation and Benefits Committee and the Board s Corporate Responsibility and Sustainability Committee.

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ROBERT G. JONES, age 61, has been a director of the Company since 2011. Mr. Jones is chairman and chief executive officer of Old National Bancorp, which is a public company. He previously served as a director of the Federal Reserve Bank of St. Louis and currently serves on the board of the University of Evansville.

Mr. Jones, as the chair and chief executive officer of Old National Bancorp, provides the Board with financial, business and management expertise gained through over 35 years in the areas of banking and finance. Like Mr. Engelbrecht, Mr. Jones is a highly respected business and community leader in southwestern Indiana who is able to provide insights into the interests of the Company s stakeholders, particularly with respect to the utility business. Because Old National Bancorp has a significant statewide presence in Indiana, Mr. Jones also has a good sense of issues that positions him as a valuable advisor. As a financial leader, he brings a strong understanding and knowledge of the markets in Indiana that Vectren serves. Mr. Jones expertise is utilized as the chair of the Board s Finance Committee and a valued member of the Board s Corporate Responsibility and Sustainability Committee.

PATRICK K. MULLEN, age 53, has been a director of the Company since 2014. Mr. Mullen is currently the president and chief executive officer of Chicago Bridge & Iron (CB&I), a public company, and in this role, he is responsible for all aspects of CB&I s operations and strategic direction. CB&I, which has been in business for more than 125 years and employs approximately 30,000 individuals, is a vertically integrated energy infrastructure-focused company. Prior to July 2017, and since September 2016, he served as chief operating officer of CB&I. CB&I s business spans across energy infrastructure, including upstream and downstream oil and gas facilities, refineries, petrochemical plants, liquefied natural gas facilities, and fossil power generation facilities. Prior to this time and since December 2013, he served as executive vice president and president of CB&I s engineering and construction operating group. During the majority of 2013, he served as executive vice president of corporate development. Mr. Mullen joined CB&I through its acquisition of ABB Lummus Global in late 2007, and he served as senior vice president of global sales for CB&I s technology operating group until early 2013. As part of CB&I s technology operating group, Mr. Mullen served as head of Global Business Development for five years where he was responsible for sales of proprietary technology and equipment to refining and petrochemical clients. Prior to his three most recent roles, Mr. Mullen was responsible for corporate development, including investor relations, strategic planning, defining company growth opportunities, guiding community impact and involvement, and strengthening relationships with economic partners.

Mr. Mullen s significant management and construction expertise are very important as the Company replaces and modernizes its gas and electric utility infrastructure, as well as expands its construction activities through its nonutility business subsidiaries VISCO and VESCO. Mr. Mullen s background and experiences are utilized by the Board s Compensation and Benefits Committee and the Board s Governance Committee.

R. DANIEL SADLIER, age 70, has been a director of the Company since 2003. Mr. Sadlier is the retired president and chief executive officer of Fifth Third Bank (Western Ohio). He is a member of the board of directors of Fifth Third Bank (Greater Cincinnati), an affiliate of Fifth Third Bancorp, and a trustee chair-elect of Sinclair Community College.

Mr. Sadlier, as the retired president and chief executive officer of Fifth Third Bank (Western Ohio), has nearly 30 years of senior management experience in the financial services sector and significant community involvement and representation in the Company s Ohio utility service area. He has a long-standing presence as a key thought and opinion leader in Ohio (the location of a significant portion of the Company s natural gas utility business and one of VISCO s largest markets for providing pipeline construction and repair work). The Board has utilized his leadership skills and background in finance as resources for the Board s Audit Committee and as the chair of the Board s Compensation and Benefits Committee.

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MICHAEL L. SMITH, age 69, has been a director of the Company since 2006. Mr. Smith serves on the board of Envision Healthcare Holding, Inc. (formerly known as Emergency Medical Services Corp.), which is a public company, on its audit committee and as chair of its compensation committee. Mr. Smith was the executive vice president and chief financial officer of Anthem, Inc. from 1999 until he retired on January 31, 2005. Previously, he was a director of the following public companies: hhgregg Inc., Calumet Specialty Products Partners, InterMune, Inc., First Indiana Corporation (which was acquired by Marshall & Ilsley Corporation in 2008), Brightpoint, Inc. (acquired by Ingram Micro, Inc. in November 2012) and Kite Realty Group Trust. Mr. Smith also serves on the boards of Hulman & Company, LDI Ltd., LLC, Carestream Health Services, Inc., Agilon, Inc., Norvax, Inc., and Drive Medical Corporation, which are private companies, and on the board of DePauw University.

Mr. Smith, as the former executive vice president and chief financial officer of Anthem, Inc., brings to the Board a wealth of knowledge in dealing with financial and accounting matters. His experience in evaluating financial results and overseeing the financial reporting process of a large public company makes him an important resource for our Board. Mr. Smith is a resident of central Indiana, which is the heart of the Company s natural gas utility business. In addition to his substantial financial acumen, Mr. Smith is a highly regarded thought and opinion leader in Indiana. As a result of his decades of involvement in businesses and community activities in Indiana, Mr. Smith has developed insights and relationships that uniquely provide him with the ability to offer a valuable perspective on issues that affect the Company. He provides skilled advice in his roles as a designated Audit Committee Financial Expert as well as chair of the Board s Audit Committee. The Board further utilizes his expertise on the Board s Governance Committee, of which he is a member.

TERESA J. TANNER, age 49, has been a director of the company since 2015. Ms. Tanner currently serves as executive vice president and chief administrative officer for Fifth Third Bancorp. She was promoted to chief human resources officer in February 2010, and her role was expanded to chief administrative officer in September 2015. Previously, she was senior vice president and director of Enterprise Learning for the bank. Before joining Fifth Third Bancorp in 2004, she was the senior vice president of Human Resources Employment for Provident Bank. She has a vast background in education, human resources, and operations management.

Given Ms. Tanner s extensive experience and expertise in the human resources area, she is a significant resource for the Board as they oversee the succession planning and talent development efforts at the Company. In addition, given the demographics of the Company s workforce, where a significant number of employees are at or soon will be at retirement age, Ms. Tanner s presence will be of great benefit as the Company addresses the refreshing of its workforce. Ms. Tanner s background and experiences are utilized on the Board s Compensation and Benefits Committee and Finance Committee.

JEAN L. WOJTOWICZ, age 60, has been a director of the Company since 2000, and in 2016, was elected as Lead Director by the independent members of the Board. Ms. Wojtowicz is the president and founder of Cambridge Capital Management Corp., a consulting and venture capital firm. She is a director of First Merchants Corporation and First Internet Bancorp, which are both public companies. For both companies, she serves on the audit committees and as their designated Audit Committee Financial Expert. Ms. Wojtowicz is also a director of American United Mutual Insurance Holding Company, a mutual holding company.

Given her decades of work in venture capital markets, Ms. Wojtowicz brings significant expertise to the Board in matters of finance and entrepreneurship. In addition, Ms. Wojtowicz is a resident of central Indiana, which is the heart of the Company s natural gas utility business, and she is a well-regarded thought and opinion leader in Indiana. She has had key leadership roles with organizations such as the Indiana Chamber of Commerce. She brings to the Board an excellent perspective on state-wide issues that are of great significance to the Company, and particularly the utility business located in Indiana. Her understanding of financial strategy and her business acumen make her a valued resource in the performance of her roles as chair of the Board s Governance Committee and as a member of the Board s Audit Committee, where she is a designated Financial Expert.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ALL NOMINEES.

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Named Executive Officers

In addition to Mr. Chapman, whose biography appears on page 6, other named executive officers of the Company during 2017 were M. Susan Hardwick, age 55, Eric J. Schach, age 55, and Ronald E. Christian, age 59. Ages are as of the record date, March 9, 2018.

M. SUSAN HARDWICK was named executive vice president and chief financial officer of the Company, effective June 1, 2016. Prior to her current role, and since June 1, 2014, Ms. Hardwick was senior vice president and chief financial officer of the Company, and from 2000 to 2013, she served as vice president, controller and assistant treasurer. Prior to joining the Company, Ms. Hardwick s most recent experience was with Cinergy Corporation (whose successor company is Duke Energy Corporation), a utility holding company formerly based in Cincinnati, Ohio, where she held numerous financial roles, including assistant corporate controller. Ms. Hardwick also has extensive public accounting experience and has spent the majority of her career involved in the regulated utility industry. Ms. Hardwick is a certified public accountant. She is a director of Indiana Gas, SIGECO, VEDO, VUHI, Enterprises, and VESCO. Ms. Hardwick also serves on the board of the Evansville Museum and as vice chair of St. Vincent Evansville.

ERIC J. SCHACH was named executive vice president and chief operating officer of the Company, effective June 1, 2016. Prior to his current role, and since June 1, 2014, Mr. Schach was senior vice president of utility operations and president of VUHI, and in June 2015, he assumed the additional responsibility of Human Resources. Prior to 2014, Mr. Schach was senior vice president of marketing and energy delivery, and from 2003 to 2013, he served as vice president of energy delivery. Prior to 2003, Mr. Schach held other leadership roles with the Company and its predecessors, including chief information officer. He is a director of Indiana Gas, SIGECO, VEDO, VUHI, VESCO, and VISCO. Mr. Schach serves on the Vincennes University Board of Trustees and the Deaconess Hospital Board of Directors.

RONALD E. CHRISTIAN has served as the Company s executive vice president, chief legal and external affairs officer and corporate secretary since September 2010. He served as executive vice president, chief administrative officer, general counsel and corporate secretary of the Company from August 1, 2004 to September 2010 and executive vice president, general counsel and secretary of the Company from May 1, 2003 to September 2010. Prior to May 1, 2003 Mr. Christian held other senior leadership roles with the Company and its predecessors and is currently a director of many of the Company s wholly-owned subsidiaries, including Indiana Gas, SIGECO, VEDO, VUHI, Enterprises, and VISCO. Mr. Christian is the immediate past chair of the boards of directors of the Indiana State Chamber of Commerce and the Indiana Energy Association.

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Ownership of Vectren Stock

Common Stock Ownership by Directors and Executive Officers

The following table sets forth the number of shares of common stock of the Company beneficially owned by directors, NEOs, and all directors and NEOs as a group, as of February 23, 2018. Except as otherwise indicated, each individual has sole voting and investment power with respect to the shares listed below.

Name of Individuals or Identity of Group	Beneficial Ownership (1)	Phantom Stock Units (2)	Stock Unit Awards (3)	Total
Derrick Burks	1,000	0	1,582	2,582
Carl L. Chapman	52,613	35,269	149,190	237,072
James H. DeGraffenreidt, Jr.	8,451	0	1,582	10,033
John D. Engelbrecht	12,861	0	1,582	14,443
Anton H. George (4)	16,936	0	1,582	18,518
Robert G. Jones	2,327	12,449	1,582	16,358
Patrick K. Mullen	1,000	5,857	1,582	8,439
R. Daniel Sadlier	585	46,625	1,582	48,792
Michael L. Smith	2,184	17,100	1,582	20,866

Teresa J. Tanner	1,000	0	1,582	2,582
Jean L. Wojtowicz	15,917	15,925	1,582	33,424
M. Susan Hardwick	0	12,365	32,835	45,200
Eric J. Schach	0	22,626	45,886	68,512
Ronald E. Christian	4,869	39,922	33,907	78,698
Directors and Executive Officers As a Group (14 Persons)	119,743	208,138	277,638	605,519

(1) No single director or named executive officer owned beneficially as of February 23, 2018, more than 0.06% of the common stock of the Company. All directors and named executive officers owned beneficially an aggregate of 119,743 shares or 0.14% of common stock of the Company.

(2) This column represents phantom securities held under the Company s nonqualified deferred compensation plans, which are in the form of phantom stock units that are valued as if they were Company common stock. These phantom units are not included in the beneficial ownership column.

(3) This column includes outstanding stock unit awards as of February 23, 2018. These stock unit awards are not included in the beneficial ownership column.

(4) These totals do not include any shares held by certain charitable organizations and other corporations with which Mr. George is associated and to which he disclaims beneficial ownership.

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Securities Owned by Certain Beneficial Owners

According to information filed with the SEC, the following shareholders were beneficial owners of more than 5 percent of our common stock as of December 31, 2017:

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percent of Class
BlackRock, Inc. (1) 55 East 52nd Street New York, NY 10055	8,338,163	10.0%
The Vanguard Group (2) 100 Vanguard Blvd. Malvern, PA 19355	7,981,043	9.6%
State Street Corporation (3) State Street Financial Center One Lincoln Street Boston, MA 02111	5,254,097	6.3%

(1) Ownership based on the Schedule 13G filed by BlackRock, Inc. on January 23, 2018, which indicated 8,338,163 shares beneficially owned with sole voting power for 7,695,232 shares and sole investment power for all shares.

(2) Ownership based on the Schedule 13G filed by the Vanguard Group on February 9, 2018, which indicated sole voting power for 57,376 shares, sole investment power for 7,914,721 shares, shared voting power for 28,757 shares, and shared investment power for 66,322 shares with its subsidiaries, Vanguard Fiduciary Trust Company and Vanguard Investments Australia, Ltd.

(3) Ownership based on the Schedule 13G filed by State Street Corporation on February 13, 2018, which indicated shared voting power and shared investment power for all 5,254,097 shares with the following subsidiaries: State Street Bank and Trust Company; SSGA Funds Management, Inc.; State Street Global Advisor Trust Company; State Street Global Advisors Asia Ltd; State Street Global Advisors Singapore Ltd.; State Street Global Advisors Limited; State Street Global Advisors GmbH; State Street Global Advisors, Australia.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company s officers, directors, and persons who own more than 10% of the Company s common stock to file reports of common stock ownership and changes in ownership with the SEC and to furnish the Company with copies of the forms they file. Based solely on the Company s review of the received filings and on written representations from the appropriate persons that no other reports are required, the Company believes that all filings required to be made under Section 16(a) during 2017 were made timely.

Corporate Governance and Meetings and Committees of the Board of Directors

Related Person Transactions

The Company has policies, procedures, and practices for monitoring the occurrence of transactions involving the Company and related persons (directors and executive officers or their immediate family members, or shareholders owning 5% or greater of the Company s outstanding stock) and for reviewing and approving related person transactions. The approach to monitoring related party transactions is described in the Company s Corporate Code of Conduct, Code of Ethics for the Board, and annual disclosure practices completed by the Company s leadership and Board members. The Corporate Code of Conduct, Code of Ethics for the Board, and related acknowledgment forms are posted in the Corporate Governance section of the Company s website at www.vectren.com.

The Corporate Code of Conduct directs all employees and Board members to avoid relationships and financial interests in vendors, suppliers, and contractors with whom the Company does business or who are seeking to do business with the Company. Further, the Company code requires all employees owning or acquiring a financial interest in a vendor, supplier, or contractor to report such relationships to their immediate supervisor using a prescribed form. If the supervisor determines that a conflict exists, the supervisor is required to contact the appropriate executive officer and the Corporate Audit department for resolution. Annually, all Board members, executive officers, other corporate officers, and key employees complete a certification that they have read the Corporate Code of Conduct and agree to abide by it. Annually, letters are mailed to major vendors, suppliers, and contractors to inform them of these restrictions.

The combined Corporate Code of Conduct and Code of Ethics for the Board require directors to promptly disclose to the chair of the Governance Committee any situation that involves, or may potentially involve, a conflict of interest. These codes also provide for the Governance Committee to review all relationships that exist between the Company and the non-management directors other than relationships relating to the director s service on the Board. Information about any relationships with directors is obtained at least annually.

In connection with the preparation of this proxy statement and the related Form 10-K, a director and executive officer questionnaire requests information about, among other matters, related person transactions. Data compiled from these questionnaires are reviewed by management, the executive vice president, chief legal and external affairs officer and corporate secretary, the Governance Committee, and the full Board. This practice is followed each year in connection with the preparation of these documents. Related person transactions reviewed in connection with the preparation of this proxy statement are discussed on pages 25 and 26.

Director Independence

The Board has determined that, with the exception of Mr. Chapman, who is Board chair, president and CEO, all members of the Board are independent since they satisfy the Company s Director Independence Standards, as set forth on page 25.

Nomination of Directors by Shareholders

If a shareholder entitled to vote for the election of directors at a shareholders meeting desires to nominate a person for election to the Board, the Company s Code of By-Laws (By-Laws) require the shareholder to deliver to or mail a notice that is received at our principal office not later than the close of business on the 90th day nor earlier than the 120th day prior to the first anniversary date of the annual meeting of the shareholders for the preceding year. If, however, the annual meeting is not scheduled to be held within a period that commences 30 days before such anniversary date and ends 30 days after such anniversary date, the shareholder notice shall be given by the later of: a) the close of business on the 90th day prior to the actual date of the shareholder meeting, or b) the close of business on the tenth day following the day on which the annual meeting date is first publicly announced or disclosed. The shareholder s notice must set forth (i) the name and address as they appear on the corporate records of the shareholder making the nomination, (ii) the number of shares of capital stock of the Company owned by the shareholder beneficially and of record together with a representation that the shareholder will notify the Company in writing of the class and number of such shares owned beneficially and of record for the meeting promptly following the later of the record date or the date notice of the record date is first publicly disclosed, c) a description of any agreement, arrangement or understanding with respect to such nomination between or among the shareholder and any of its affiliates or associates, and any others (including their names) acting in concert with any of the foregoing together

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with a representation that the shareholder will notify the Company in writing of any such agreement, arrangement, or understanding in effect as of the record date for the meeting promptly following the later of the record date or the date notice of the record date is first publicly disclosed, d) a description of any agreement, arrangement, or understanding (including any derivative or short positions, profit interests, options, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the shareholder s notice by, or on behalf of, the shareholder or any of its affiliates or associates, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, the shareholder or any of its affiliates or associates with respect to shares of stock of the Company, together with a representation that the shareholder will notify the Company in writing of any such agreement, arrangement, or understanding in effect as of the record date for the meeting promptly following the later of the record date or the date notice of the record date is first publicly disclosed, e) a representation that the shareholder is a holder of record of shares of the Company entitled to vote at the meeting and intends to appear in person or by proxy at the meeting to present the nomination contained in the notice, f) a representation whether the shareholder intends to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Company s outstanding capital stock required to elect the director and/or otherwise to solicit proxies from shareholders in support of such nomination, and g) any other information relating to such shareholder and beneficial owner, if any, on whose behalf the nomination is being made, required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the nomination and pursuant to and in accordance with Section 14(a) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder. In addition, such shareholder s notice must set forth, as to each person whom the shareholder proposes to nominate for election or reelection as a director: (i) the name, age, business address, and residence address of such person; (ii) the principal occupation or employment of such person; (iii) the class and number of our shares which are beneficially owned by such person; (iv) any other information relating to such person that is required to be disclosed in the solicitation of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including, without limitation, such person s written consent to be named in the proxy statement as a nominee and to serve as a director, if elected); and (v) the qualifications of the nominee to serve as our director.

The process described in the preceding paragraph is currently the sole formal process for shareholders to nominate persons to our Board. However, there is a framework in place for shareholders to contact the Board s Lead Director, and, as part of that process, shareholders may communicate regarding any prospective candidate for membership on the Board. The criteria employed by the Governance Committee when considering all nominees to the Board are contained in our By-Laws and are set forth in Appendix A.

Board Leadership Structure

In May 2011, Mr. Chapman assumed the role of Board chair and he holds the combined positions of Board chair, president and CEO. Since the inception of the Company s operations in 2000, the combination of the Board chair and CEO positions has positively served the Company s interests because of the efficiencies of having the roles combined. By combining the chair and CEO roles, the CEO is able to optimize his first-hand knowledge of the Company s operations, which facilitates his leadership of the Board s oversight of the Company s business by allowing the Board to have the benefit of his insight and perspective regarding the affairs of the Company during its deliberations. To ensure the preservation of good governance, the Board has and will continue to maintain the position of an independent Lead Director who is elected by independent board members and is charged with the responsibility to coordinate the activities of the non-employee, independent directors. As set forth in the Corporate Governance Guidelines and reflected in the practices of the Board, the Lead Director s responsibilities include the following: (i) coordinate the activities of non-management and independent directors; (ii) preside and act as chair of Board meetings when the Board chair is not in attendance; (iii) provide the Board chair with input as appropriate on agendas for the Board and committee meetings; (iv) approve the agenda, schedule, and information sent to directors for board meetings; (v) serve as chair of the Governance Committee; (vi) coordinate and develop the agenda for, and chair executive sessions of, the non-management directors, which are held at each meeting of the Board; (vii) facilitate communications between the Board chair and the other members of the Board, including communicating other members requests to call special meetings of the Board; (viii) authority to call additional meetings of independent directors as he/she deems appropriate; (ix) lead the deliberations of the independent directors regarding corporate strategy matters; and (x) to make himself/herself available for consultation and direct communication with major shareholders. The Board is cognizant of the governance structure recommended by leading corporate governance firms and through the board leadership framework that has been established for the Company, the Board believes that the guidance offered by those firms has been implemented. The Board will remain vigilant in its review of the marketplace with respect to this subject and no less than annually reevaluate this structure to ensure it is in line with the market, as well as continues to serve the best interests of the Company and its stakeholders.

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Board s Role in Long-Term Strategic Planning, Risk Management, and Other Key Sustainability Initiatives

Working closely with management, our Board plays an active role in the development and execution of the Company s long-term corporate strategy. The Board, along with its five Committees, is engaged in overseeing our corporate strategy, including major business and organizational initiatives, capital allocation, and potential business development opportunities. Embedded within these efforts is a constant focus by our directors upon actions that enable the Company to achieve long-term prosperity and value for all of our stakeholders - shareholders, customers, communities, and colleagues. Throughout these efforts, our directors and management concentrate on the Company s risks and opportunities and work to mitigate those risks and optimize those opportunities in a manner that best ensures the long term sustainability of our business.

At all Board and Board committee meetings, our directors engage in a consideration of subjects of strategic significance to the Company and our stakeholders. Our chair and CEO and members of his executive team participate in all of these meetings. Through this interaction, all significant aspects of our business are vetted and the process provides management with the venue to hear directly from directors their perspectives and counsel on the execution of our long-term strategies. The management teams for our utility and non-regulated businesses are regular participants in these meetings. Those presentations and related management recommendations include as an integral part a review and assessment of risks and opportunities inherent in the actions being considered.

Twice each year the Board and our senior executive team conduct multi-day strategic-planning sessions devoted to an in-depth, long-term strategic review and assessment of the Company s business. During these sessions, the Board and management assess the long-term prospects for the Company s businesses, the implications of our actions upon our stakeholders, and how best to position our business to be successful over time. To facilitate this process, outside speakers will often participate and address timely topics relevant to the dialogue being held.

In crafting new strategies and reviewing existing ones, our directors are particularly focused upon enterprise risks and how management can mitigate those risks. At regular meetings of the Audit and Risk Management (Audit) Committee and the Board, management provides detailed risk analyses that prioritize both quantitative and qualitative risks at all of our businesses and detail management s plans and efforts to mitigate those risks. The Company s Corporate Audit Department designs their annual audit plan around identified risks with the commitment of resources especially focused upon areas presenting greater risks. The Information Technology Department makes regular presentations to the Audit Committee and the Board regarding risks inherent in the information technology area, including cybersecurity risks. As mentioned earlier, the learnings gleaned from this constant review and risk assessment are a key component in the strategic planning process.

Our Board has embraced the importance of sustainability relative to value creation and promoting the interests of all of the Company s stakeholders. Our efforts in this area have been most recently summarized in our 2015 corporate sustainability report, which includes data presented in the format prescribed by the Global Reporting Initiative (that report can be found at www.vectren.com/sustainability). Those efforts include monitoring current and emerging political and social action, and public policy and environmental issues that may affect the business operations, material financial performance, or public image of the Company. They also extend to considering policies for sustainable growth strategies to create value consistent with long-term preservation and enhancement of the Company s financial, environmental, and social capital. Our next corporate sustainability report will be issued by the second quarter of this year. At every meeting, the Board s Corporate Responsibility and Sustainability (CRS) Committee receives detailed reports on corporate sustainability matters from our Vice President of Environmental Affairs and Corporate Sustainability, who is charged with responsibility for this area. Our Board also receives periodic reports on this area as well.

Through the CRS Committee, our directors oversee the Company s compliance, customer satisfaction, safety and community efforts. The Company s chief compliance officer has regular private sessions with the CRS Committee in a venue where he can advise of any issues of concern, as well as frankly respond to questions and comments from CRS Committee members. At each of those meetings, the CRS Committee receives detailed reports on environmental matters pertaining to the Company s businesses. The CRS Committee also oversees issues relating to customer satisfaction in our regulated business, as well as safety issues pertaining to the public and our colleagues. The CRS Committee is engaged in overseeing the Company s efforts to assist a broader group of our stakeholders through the Vectren Foundation, our community sustainability initiative and the volunteer efforts of our colleagues. (Additional information on these activities can be found at www.vectren.com/sustainability).

Our Board regularly receives detailed reports from management and our external advisors regarding the implications of legislative and regulatory changes upon our business. Those reports also extend to the effects of major policy changes at the federal and state levels which impact our business directly, as well as our stakeholders. The Board also receives detailed reports from management and external advisors regarding potentially disruptive forces, such as technology developments in the energy business, which present risks and opportunities to our businesses. In working together with management in crafting our long-term business strategy, the Board is aware of and mindful of the implications of these matters and that they may be particularly significant to the Company since over three fourths of our earnings stem from regulated public utility operations where we are responsible for providing essential services, namely electric service and natural gas distribution service.

The Board is also engaged with management regarding the Company s ongoing Human Equity Initiative, which is an effort led by our senior executive leadership and focused upon maximizing the potential of each and every Vectren colleague. The particulars of that initiative are set forth in our CEO s letter to shareholders, which is part of our 2017 Annual Report to Shareholders that was published the same date as this proxy statement.

The Board s Compensation and Benefits Committee receives regular reports from management regarding the retirement plans offered to our current employees, as well as the retirement benefits provided to our former colleagues. These reports address the performance of retirement plan funds, the options available to participants, the education provided to participants relative to investment options, and retirement goals and other similar matters.

Additionally, the Board annually discusses and approves the Company s budget and capital requests, which are firmly linked to our long-term strategic plans, and our assessment of enterprise risks and priorities for the Company and our stakeholders. Through these processes, the Board brings its collective, independent judgment to bear on the most critical long-term strategic issues facing the Company. For more information on our long-term strategy and the progress we made against our strategic goals in fiscal 2017, please see our 2017 Annual Report, including our CEO s letter to our shareholders.

As evidenced by this discussion, our Board is fully engaged in providing guidance to management with respect to the execution of the Company s long-term strategic plans. Our culture is one where such interaction is embraced and considered by management to be an important asset as they make the decisions that affect the value provided by the Company to all of its stakeholders.

Board s Role in Risk Oversight

The Board is ultimately responsible for risk oversight across the organization. That responsibility is shared by the committees of the Board in addressing financial, compensation, compliance, reputational, and governance risks with specific responsibility for reviewing management s risk oversight function delegated to the Board s Audit Committee.

A corporate level Risk Management Committee (RMC) is comprised of the chief executive officer, senior executives, and other key members of management and is led by the vice president and treasurer. The RMC meets approximately on a biweekly basis. The RMC identifies and oversees organizational efforts to address the Company s strategic risks, as well as other risks that arise during the course of operations, and ensures that risk management efforts are aligned with strategic objectives. The types of strategic risks the RMC considers and monitors include, but are not limited to, financial, regulatory, reputational, environmental, cybersecurity, and compliance risks. For example, during 2017, the RMC oversaw and monitored issues relating to commodity hedging, pipeline safety, cybersecurity, business resiliency, regulations and compliance, and insurance and credit risks. The Audit Committee and the full Board receive detailed reports throughout the year regarding the RMC s activities and strategic risk management efforts within the Company. In response to those reports, the Audit Committee and the full Board may direct management to consider additional issues or provide additional information to the Audit Committee and the full Board regarding the RMC s actions. The Audit Committee chair reports regularly to the Board regarding enterprise risk matters presented to the Audit Committee. Similarly, other Board committee chairs regularly report to the Board regarding risk matters overseen by their respective committees. For example, the Compensation Committee chair reports to the Board regarding the oversight of the consideration of any risks presented by the Company s compensation plans, and the Corporate Responsibility and Sustainability Committee chair reports to the Board regarding the oversight of gas and electric operations compliance activities and the risks they present.

Board Meetings

The Board had 9 meetings during the last year, and no member attended fewer than 91% of the aggregate of Board meetings and meetings of the respective committees of the Board of which they are members. Last year s annual meeting was attended by all members of the Board. The non-employee members of our Board are elected to various committees. The standing Board-level committees are: the Nominating and Corporate Governance Committee, the Audit and Risk Management Committee, the Compensation and Benefits Committee, the Finance Committee, and the Corporate Responsibility and Sustainability Committee. Committee memberships are shown in the following table:

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Name	Independent	Committees				
		Nominating and Corporate Governance	**Audit and Risk Management**	**Compensation and Benefits**	**Finance**	**Corporate Responsibility and Sustainability**
Derrick Burks [1]			Member		Member	
James H. DeGraffenreidt, Jr. [1]		Member				Member
John D. Engelbrecht					Member	**Chair**
Anton H. George				Member		Member
Robert G. Jones					**Chair**	Member
Patrick K. Mullen		Member		Member		
R. Daniel Sadlier [1]			Member	**Chair**		

Michael L. Smith	Member	**Chair**			
Teresa J. Tanner			Member	Member	
ean L. Wojtowicz (Lead)	**Chair**	Member			
Meetings Held in 2017 >	3	7	5	4	4

[1] The following committee changes were approved at a November 1, 2017 board meeting: Mr. Derrick Burks, our newest board member, was assigned to serve on the Audit and Finance Committees. Coincident with that appointment, Mr. DeGraffenreidt ended his service on the Audit Committee, and Mr. Sadlier ended his service on the Finance Committee. As a result, with the exception of Mr. Chapman, each director serves on two committees of the Board.

Nominating and Corporate Governance Committee: Membership is restricted to non-employee members of the Board who must be independent under New York Stock Exchange rules.

Audit and Risk Management Committee: Membership is restricted to non-employee members of the Board who must be independent under New York Stock Exchange rules, as well as meet other legal eligibility requirements. The Board has determined that Messrs. Burks and Smith and Ms. Wojtowicz are the Audit Committee s designated Financial Experts under the SEC definition.

Compensation and Benefits Committee: Membership is restricted to non-employee members of the Board who must be independent under the rules of the New York Stock Exchange, as well as meet other legal eligibility requirements.

Finance Committee: While membership on the Finance Committee is not restricted to non-employee members of the Board, all current members satisfy the Board s Director Independence Standards. The Finance Committee acts on behalf of the Board with respect to financing activities of the Company and its subsidiaries and in instances where the Board has delegated authority to the Finance Committee to act on its behalf.

Corporate Responsibility and Sustainability Committee: While membership on the Corporate Responsibility and Sustainability Committee is not restricted to non-employee members of the Board, all current members satisfy the Board s Director Independence Standards.

The functions of all committees are described in our committee reports, which begin on page 21.

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Director Compensation

As more fully discussed in the Report of the Nominating and Corporate Governance Committee, which begins on page 21, the establishment of compensation for non-employee directors is part of the responsibilities of that committee. The philosophy for the compensation decisions is discussed in that report.

NON-EMPLOYEE DIRECTOR PAY ELEMENTS		2017	2018
Annual Cash Retainer		$80,000	$80,000
Annual Committee Chair Cash Retainer	Audit & Risk Management	$15,000	$15,000
	Compensation & Benefits	$12,500	$12,500
	Nominating & Governance	$7,500	$7,500
	Finance	$7,500	$7,500
	Corporate Responsibility & Sustainability	$7,500	$7,500
		$25,000	$25,000

Annual Lead Director Cash Retainer		
Annual Equity Retainer (time-based equity award to each non-employee director)	$95,000	$100,000

In 2017, each non-employee director received an annual cash retainer of $80,000 per year for service on the Board. Each committee chair received an additional cash retainer as noted in the above table, and the Lead Director received an additional annual cash retainer of $25,000. All annual cash retainers were paid in the form of a monthly amount. Also, on January 1, 2017, each non-employee director received a time-based equity grant with a targeted value of $95,000, which vested on January 1, 2018. No meeting attendance fees were paid to the non-employee directors.

In 2017, the Governance Committee engaged Korn Ferry Hay Group (Hay Group), the independent compensation consultant employed by the Compensation Committee, to review the market competitiveness of the existing compensation paid to non-employee members of the Board. Based upon the 2017 review of compensation paid to non-employee board members serving the companies who comprise the peer group used with respect to the Company s executive compensation process, and more fully described on page 23, as well as general information in the marketplace regarding director compensation trends, Hay Group concluded that the existing total compensation paid to the non-employee members of the Board was below the median and the average of compensation paid to non-employee directors of other comparable companies. As a result, Hay Group recommended a 2018 increase to the annual equity pay element (which is paid in the form of time-based restricted stock units) from $95,000 to $100,000. According to Hay Group, with this recommended change, the compensation would be at market relative to the data that was reviewed for the purpose of making this assessment. In response to this information, the Governance Committee recommended the above change to the Board. The Board received this recommendation and the supporting information at its September 2017 meeting and approved the changes with an effective date of January 1, 2018.

Pursuant to a director expense reimbursement policy approved by the Board, we reimburse the reasonable travel and accommodation expenses of directors to attend meetings and other corporate functions.

The Vectren Corporation Director Education Policy is administered by the chair, president and chief executive officer, with oversight by the Governance Committee, and provides each non-employee director with an annual education allowance of up to $7,500 to use for continuing education programs.

Under the Vectren Foundation Directors Matching Policy, the Vectren Foundation will match qualifying contributions up to $5,000 annually, made by active non-employee members of the Board. Qualifying organizations must be designated a 501(c) (3) federal tax exempt entity by the Internal Revenue Service. This policy encourages and supports contributions that promote the preservation and restoration of natural resources, energy efficiency and renewable resources, and institutions of higher education. The maximum match amount of $5,000 may be used to match college or university gifts not exceeding $2,500 in total and gifts to organizations focused on preservation and restoration of natural resources, energy efficiency and renewable resources not exceeding $2,500 in total. In response to hurricane relief efforts, the Company provided a gift matching program through the Vectren Foundation which was available to Board members and employees of the Company. A total match amount of $9,500 was contributed by the Vectren Foundation on behalf of Vectren s non-employee directors, which is included in the 2017 Director All Other Compensation Table below.

Directors are eligible to participate in the Company s nonqualified deferred compensation plan designed to comply with the Internal Revenue Code. This plan is described starting on page 64 under the heading Nonqualified Deferred Compensation.

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At the present time, directors may defer all or a portion of their director fees and vested stock unit awards into this plan. The plan s measurement funds mirror the investment options in the Company s 401(k) plan except that this plan does not include any limitation on the amount of the contributions that can be allocated to the Company s common stock. Participants have the ability to elect a scheduled distribution of any amounts deferred into the plan as long as the distribution is at least three plan years after the end of the plan year for which the participant elects the deferral. Once the director s Board service ends, the plan balance is paid in either a lump sum or annual installments over 5, 10, or 15 years.

The following table summarizes the compensation earned by non-employee directors for the year ended December 31, 2017. As an active employee, Mr. Chapman does not receive any additional compensation for his service as a director. No option awards or non-equity incentive plan awards were made to directors. Directors do not receive pensions nor did they receive any above-market or preferential earnings on deferred compensation.

2017 DIRECTOR COMPENSATION TABLE

Name (a)	Fees Earned or Paid in Cash (1) (b)	Stock Awards (2) (c)	All Other Compensation (3) (d)	Total (e)
Derrick Burks (4)	$43,750	$0	$0	$43,750
James H. DeGraffenreidt, Jr.	$80,000	$97,464	$3,181	$180,645
John D. Engelbrecht	$87,500	$97,464	$5,681	$190,645
Anton H. George	$80,000	$97,464	$8,966	$186,430
Martin C. Jischke	$33,333	$97,464	$1,562	$132,359
Robert G. Jones	$87,500	$97,464	$5,681	$190,645
Patrick K. Mullen	$80,000	$97,464	$10,681	$188,145

R. Daniel Sadlier	$92,500	$97,464	$6,681	$196,645
Michael L. Smith	$95,000	$97,464	$8,181	$200,645
Teresa J. Tanner	$80,000	$97,464	$3,181	$180,645
Jean L. Wojtowicz	$112,500	$97,464	$8,181	$218,145

(1) This column represents annual cash retainers earned by Board members. These amounts are more fully discussed above under Director Compensation.

(2) This column reflects the aggregate grant date fair value based on FASB ASC Topic 718, which in this instance is the number of stock units issued multiplied by the share price on the date of grant. Upon Mr. Jischke s retirement from the Board at the 2017 annual shareholders meeting, his stock award was prorated for service, which resulted in a payment of $ 40,723.

(3) This column includes dividends on stock unit awards in 2017 and matching of qualifying charitable contributions. The table below provides additional information regarding the All Other Compensation column.

(4) Reflects prorated payments for Mr. Burks cash retainer and cash in lieu of equity retainer as a new director in 2017.

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2017 DIRECTOR ALL OTHER COMPENSATION TABLE

Name	Stock Unit Dividends	Directors Matching Contributions (3)	All Other Compensation
Derrick Burks (1)	$0	$0	$0
James H. DeGraffenreidt, Jr.	$3,181	$0	$3,181
John D. Engelbrecht	$3,181	$2,500	$5,681
Anton H. George	$3,181	$5,785	$8,966
Martin C. Jischke (2)	$1,562	$0	$1,562
Robert G. Jones	$3,181	$2,500	$5,681
Patrick K. Mullen	$3,181	$7,500	$10,681
R. Daniel Sadlier	$3,181	$3,500	$6,681
Michael L. Smith	$3,181	$5,000	$8,181
Teresa J. Tanner	$3,181	$0	$3,181
Jean L. Wojtowicz	$3,181	$5,000	$8,181

(1) Mr. Burks was provided a 2018 equity grant like other board members on January 1, 2018.

(2) Mr. Jischke retired from the Board at the 2017 annual shareholders meeting.

(3) Certain qualifying non-employee director contributions were matched by the Vectren Foundation for colleges or universities; organizations focused on the preservation and restoration of natural resources, energy efficiency, and renewable resources; and special one-time donations made in response to 2017 hurricane relief efforts.

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Report of the Nominating and Corporate Governance Committee

The Governance Committee is primarily responsible for corporate governance matters affecting the Company and its subsidiaries. The Governance Committee has four members and is composed entirely of non-employee directors, all of whom the Board has determined to be independent pursuant to the rules of the New York Stock Exchange (NYSE). The current chair of the Governance Committee is Jean L. Wojtowicz, who is also the Lead Director. The Governance Committee met three times during the past year. At its meetings, the Governance Committee conducted an executive session without management present.

Scope of Responsibilities

The Governance Committee has a number of significant responsibilities which are set forth in its charter posted at www.vectren.com, including:

- Serving as a conduit for shareholders and other interested parties to communicate with the non-employee members of the Board regarding nominees and other matters affecting Company business;
- Overseeing the succession planning process for the office of chief executive officer, senior management, other members of management, and the primary leadership of the Company s subsidiaries;
- Monitoring other corporate governance matters, including periodically reviewing the By-Laws and Articles of Incorporation as they relate to corporate governance;
- Formulating recommendations concerning the composition, organization, and functions of the Board and its committees;
- Overseeing the succession planning process for the Board, including identifying and selecting qualified nominees for election to the Board, as well as assessing the viewpoint, background, and demographics of nominees, and whether their presence on the Board would contribute to the overall diversity of the Board;
- Recommending programs for continuing Board member education and development;
- Establishing qualification criteria for service as a member of the Board, including independence ;
- Assessing the contributions of existing members of the Board for reelection;

Monitoring the effectiveness and functioning of the Board and its various committees;

Approving management participation on compensated third party boards of directors; and

Establishing compensation for non-employee members of the Board.

Below are some of the key corporate governance practices that we follow:

What We Do	**What We Don t Do**
Maintain an independent lead director and independent directors on all current committees	X No hedging or pledging of Vectren stock
Maintain a declassified board	X No poison pill
Conduct board self-evaluations	X No tax gross ups
Conduct CEO evaluation	X No related person transactions
Maintain robust stock ownership requirements	X No family relationships among directors or executive officers
Maintain a clawback policy	X No corporate contributions to political candidates,parties, or committees organized to advance political candidates
	X No guaranteed bonuses or base salary increases

Evaluate management succession and leadership development efforts on regular basis

Abide by principles in the Shareholder Director Exchange (SDX) Protocol

Maintain mandatory director retirement age (75)

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2017 Accomplishments

Throughout the year, the Governance Committee gathered, assessed, and, as appropriate, acted upon information relating to corporate governance, including governance-related items described in the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley), the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), and those regulatory changes affecting listed companies established by the NYSE and SEC. These efforts by the Governance Committee are ongoing. As a result of this continuous oversight, over the past several years, and at the recommendation of the Governance Committee, the Board has allowed the Company s shareholder rights plan to expire without renewal, declassified the Board, adopted a majority Board election standard, established rigorous processes relating to the role of the Lead Director, and generally sought to be responsive to public pronouncements regarding good governance practices.

As part of the Governance Committee s effort to follow best practices with respect to corporate governance matters, during 2017, the Committee continued to evaluate the Board s role in interacting with the Company s shareholders. In this regard, the full Board, based upon the unanimous recommendation of the Governance Committee, has adopted the principles embodied in the Shareholder Director Exchange (SDX) Protocol, www.sdxprotocol.com, which has established practices for director engagement with institutional shareholders. In addition, throughout the year management provides regular updates to the Governance Committee with respect to dialogue with the Company s shareholders regarding matters of corporate governance and other aspects of the Company s business.

As required by its charter, which is posted on the Company s website at www.vectren.com, during the year the Governance Committee conducted an annual review of the Corporate Governance Guidelines applicable to the full Board. Based upon that review, the Governance Committee concluded that no modifications were currently advisable or necessary. The Corporate Governance Guidelines are posted on the Company s website at www.vectren.com.

The Governance Committee is responsible for considering nominees for director, including nominees recommended by shareholders. The policy for director nominations by shareholders is included under Nomination of Directors by Shareholders beginning on page 13. The criteria considered by the Governance Committee and the full Board when assessing candidates are contained in the By-Laws and are also set forth in Appendix A of this proxy statement. The criteria considered by the Governance Committee and the Full Board when assessing whether an individual may continue to be a director or re-nominated to serve another term as a director are set forth in Appendix B of this proxy statement.

From time to time, the Lead Director and the Governance Committee receive unsolicited inquiries from individuals interested in serving as a Board member. In the event such inquiries are sent to management, they are then forwarded to the Lead Director. These inquiries are reviewed by the Lead Director in light of the criteria prescribed for director candidates and if the person fails to meet those criteria then no further action is taken by the Lead Director. However, if the person meets those criteria, then the Lead Director will review the submission with the entire Governance Committee. Each inquiry is evaluated on its own merits.

In connection with the 2018 annual meeting, and employing the qualification criteria set forth in the By-Laws, as well as the director retention criteria approved by the Board, the Governance Committee evaluated all of the nominees who are standing for reelection. As a result of that process, the Governance Committee concluded that the full Board should recommend to the shareholders the reelection of the existing directors.

During the year, the Governance Committee provided ongoing oversight with respect to each Board member s relationship with the Company and its subsidiaries. This action was required under the independence standards for the Board, which were developed by the Governance Committee as required by the Company s Corporate Governance Guidelines and approved by the full Board. The director independence standards are set forth and discussed on page 25. Based on these standards, the Board has determined that, with the exception of Mr. Chapman, who is an active employee and serves as the Board chair, president and chief executive officer of the Company, all members of the Board are independent.

During the year, the Governance Committee evaluated each Board member s service on committees in light of the applicable qualification requirements, including additional independence and qualification requirements pertinent to certain of the committees. Based upon this evaluation, the Governance Committee made a recommendation to the full Board regarding the composition and leadership of each committee. Thereafter, that recommendation was adopted by the full Board.

During the year, the Governance Committee oversaw a formal communication process to ensure the Board receives adequate information regarding the actions taken by the boards of directors at the Company s wholly-owned subsidiaries. That process requires regular management updates to the Governance Committee regarding such actions.

During the year, the Governance Committee continued with the administration of the succession planning and talent development processes for the Company s management and the primary leadership of the Company s subsidiaries and affiliates. The Governance Committee believes that actively engaging in these efforts is critical to the Company s long-term management continuity preparedness. Succession planning and talent development are ongoing processes applicable to management positions across the Company and are an integral part of the Company s normal personnel planning activities.

Presentations are regularly provided to the Governance Committee by both external advisors and members of senior management who are charged with direct responsibility for these efforts. In this regard, over the past three years a number of organizational changes have been made resulting in the promotion of two members of management to executive vice president roles, as well as the reallocation of responsibilities among a number of vice presidents, and the creation of new officer roles for certain functions. The succession planning and talent development processes are ongoing and are intended to enhance the professional development of the persons involved, as well as result in better execution of the Company s strategies and processes. The accomplishment of these outcomes is the subject of continuing oversight by the Governance Committee as it administers these processes. On a regular basis, updates on this subject are provided to the full Board and as part of the executive session segments of Board meetings there is a further opportunity for a discussion of this subject among the independent members of the Board.

During the year, the Governance Committee reviewed the slate of individuals to serve as officers for the Company and recommended that the full Board elect the officers to their respective positions in June of 2017. This review and recommendation was done in light of the Governance Committee s ongoing assessment of the succession planning and talent development processes described above. The Governance Committee also reviewed responsibilities within the management group and determined the individuals who should be deemed to be insiders for purposes of Section 16 of the Securities Exchange Act of 1934, as amended.

During 2017, the Governance Committee evaluated the leadership strengths of the Board and affirmed the previously made determination to continue to consolidate the roles of Board chair and chief executive officer into a single position, as well as continue the Lead Director position with its attendant role and responsibilities. Mr. Chapman has served as Board chair since the 2011 annual meeting. Ms. Wojtowicz has served as the Lead Director since the 2015 annual meeting, at which time her predecessor retired from the Board. The organizational structure of the Board is discussed more fully on page 14.

Under the oversight of the Governance Committee, formal Board development activities were undertaken during the year. The Board conducted two multi-day development sessions where they heard presentations from various internal and external professionals regarding important issues affecting the Company and its subsidiary companies, including, among other topics, corporate governance matters, cybersecurity, the state of energy commodity prices, environmental regulations, the potentially disruptive impacts of technology developments, regulatory and ratemaking matters, and other industry developments and trends. Some members of the Board also attended training activities focused on the development of director skills.

The Governance Committee is charged with oversight of compensation for the non-employee members of the Board. Annually, the Governance Committee directs the preparation of an analysis of the continuing market competitiveness of that compensation. During 2017, the Governance Committee had such an analysis prepared by Korn-Ferry/Hay Group (Hay Group), which is also the independent compensation consultant employed by the Compensation Committee. The analysis included a review of the Board s total compensation structure, which consists of an annual board retainer, lead director retainer, committee chair retainers, and equity grants. The analysis primarily relied upon a review of industry market data, as well as comparative data from the group of companies within the industry peer group that has been used by the Company to measure its performance and used by the Compensation Committee when establishing executive compensation. Based upon the analysis and review of current market data, it was the conclusion of the independent consultant that the compensation provided to outside directors was below both the average and the median for the Company s peer group. In August of 2017, the Governance Committee took action in response to the conclusions reached by the independent compensation consultant and recommended an adjustment to the equity component of director compensation. That recommendation was adopted by the Board at its September 2017 meeting, with an effective date of January 1, 2018. The specifics of director compensation are more fully discussed on pages 18-20 under the heading Director Compensation. In 2018, the Governance Committee anticipates engaging an independent firm to conduct another review of the on-going market competitiveness of director compensation to ensure its continued alignment with the marketplace.

As the plan administrator of the Company s At-Risk Compensation Plan (At-Risk Plan) with respect to compensation for non-employee members of the Board, the Governance Committee authorized annual grants of restricted stock units for directors effective as of January 1, 2018. The grant amounts align with advice received from the independent compensation consultant engaged by the Governance Committee. The role of equity compensation as part of the total compensation provided to non-employee directors is more fully discussed beginning on page 18.

As part of the Board s ongoing director succession planning process, during 2017 the Governance Committee continued to evaluate desired strengths and experiences for the Board and engaged in a concerted effort to add an additional director, subject to finding the right candidate. As a result of this process, the Governance Committee identified Mr. Burks, whose experiences and qualifications are more fully described at page 6, and, in September of last year, Mr. Burks was elected as a director of the Company. Mr. Burks decades of public accounting and business experience, including direct experience with the utility industry, made him an ideal candidate for the Board. His knowledge and expertise have enhanced the Board s skills in finance and accounting and his service on the Audit and Finance Committees will contribute to the decision making made by those bodies. In addition, Mr. Burks is a highly regarded thought and opinion leader in the State of Indiana and his presence on the Board will bolster the Company s credibility in a state where a majority of its utility operations are conducted. Throughout 2018 and beyond, the Governance Committee will continue to evaluate the needs for the Board as the Company s business evolves and will work to ensure the overall composition of the Board fulfills the goals of having a diverse, experienced and skilled set of directors.

Under the direction of the Lead Director, who is also the chair of the Governance Committee, the Board has developed a strengths and experiences matrix that is a foundation for the performance evaluation and director succession planning processes to ensure the Board is composed of a diverse group of individuals with the right skills and experiences to oversee the Company s operations. The matrix is regularly evaluated to ensure the identified desired strengths and experiences reflect the Board s current and expected talent needs. As part of this effort, the directors perform a self-evaluation of their respective strengths and experiences, which is then vetted by the Lead Director and Board Chair and discussed with the full board during an executive session segment of a Board meeting.

During the year, the Governance Committee oversaw the preparation of a break the glass contingency plan that could be implemented in the event of the unanticipated departure or death of Mr. Chapman (the CEO). The plan, which is now fully developed, includes detailed components and action items addressing corporate governance, internal and external communication plans, and an operational framework for ensuring there is no appreciable interruption in the operations of the Company should such an event occur. As part of its responsibilities, the Governance Committee will review this plan periodically to determine if enhancements are appropriate.

Early in 2018, the chair of the Governance Committee administered the annual Board performance evaluation process pursuant to which the Board critiqued its performance. It is the policy of the Board to undertake this action in the first quarter of every year. This process entails individual director evaluations, as well as an evaluation of total Board performance. Under the direction of the Lead Director, the annual performance evaluation process entails individual sessions between the Lead Director and each member of the Board during which directors provide commentary with respect to their own performance and contributions, as well as the performance and contributions by each of their peer directors, and, finally, a full Board performance assessment. The results of these discussions are initially analyzed by the Lead Director. Following that analysis, the Lead Director summarizes the results, including her observations relative to where the Board is situated in light of the strengths and experiences matrix. The comments of individual directors are maintained in strict confidentiality to encourage full and frank commentary on all aspects of the Board s performance. Once this summary is complete, the Lead Director: 1) reviews the results with the Board chair, 2) then she reviews those results with the Governance Committee, and 3) finally, she provides the full Board with the findings, as well as a summary of the survey results. In response, and under the supervision and direction of the Governance Committee, senior management develops an action plan that is intended to respond to issues raised during this process. The Board s annual performance evaluation is seen as an opportunity to review the past year and consider contributions, successes, and opportunities for development. The process is also integral to the execution of the Board succession planning process since the conclusions reached help the Governance Committee and the full Board determine whether and when it is advisable to refresh the composition of the Board. In light of this robust annual performance evaluation process, during the year the Governance Committee and the full Board confirmed the prior determination to not employ a director tenure policy, which would limit the service of valuable Board members. The Board does have a retirement policy pursuant to which, absent a waiver from the independent directors, a director may not remain a Board member longer than the term of office during which he or she turns age 75.

At the February 2018 meeting, the Governance Committee confirmed that all Board committees had complied with their respective charters during 2017. The Governance Committee will continue to oversee any future recommended revisions to Board committee charters to ensure that the apportionment of responsibilities among the committees is appropriate.

Share Ownership Policy for Non-Employee Directors

Our Company s share ownership policy requires non-employee directors to meet share ownership targets. The Governance Committee adopted that policy in 2000 and it provides a five-year transition period for non-employee directors to comply with their applicable share ownership targets. The Board expects the covered persons to make ratable progress toward compliance each year. The program includes these key features:

Participants who are non-employee directors have a share ownership target based on a multiple of five times their annual cash retainer, which calculated as of January 1, 2017, equaled $400,000. As of February 28, 2017, all of the non-employee directors, excluding Mr. Burks and Ms. Tanner who are both in the transitional five-year compliance period, exceeded the established ownership requirements. The Governance Committee reviews non-employee director stock ownership on an annual basis.

A participant may count toward his or her target the value of owned shares, phantom units of our stock in our nonqualified deferred compensation plans, and outstanding restricted shares and stock unit awards, with value based on the market price of our common stock.

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For non-employee directors who have not met their ownership target at the time a stock unit award is settled under the At-Risk Plan, the above policy provides that the award will be settled in shares of Company common stock (unless such non-employee director previously elected to defer such amounts into the Company s nonqualified deferred compensation plan).

In 2017, the Governance Committee, with assistance from the Hay Group, confirmed the reasonableness of the director share ownership guidelines from a market perspective and concluded that they are, in fact, in line with the market. The Governance Committee anticipates reviewing the continuing appropriateness of the guidelines again in 2018.

Annual Committee Charter Review and Performance Evaluation

As required by the Governance Committee s charter, during the year, the Committee reviewed its charter and determined to provide a clarification regarding the availability to the Board of the Governance Committee s meeting materials. Also, as required by the Governance Committee s charter, the Governance Committee conducted an annual performance evaluation, the results of which have been discussed among the members and a responsive action plan was developed to address items raised in the evaluation process.

Director Independence Standards

In determining director independence, the Board considers broadly all relevant facts and circumstances, including the corporate governance listing standards of the NYSE, which are summarized below. The Board considers the issue not merely from the perspective of the particular director, but also from the perspective of persons or organizations with which the director has an affiliation. An independent director must be free of any relationship with the Company that impairs the director s ability to make independent judgments, including indirectly as a partner, shareholder, or officer of an organization that has a relationship with the Company.

At a minimum, in making the independence determination, the Board applies the following standards, and it also considers any other relationships it deems relevant. A director will not be considered independent if any of the following criteria apply:

1. The director is, or has been within the last three years, an employee of the Company, or an immediate family member is, or has been within the last three years, an executive officer,[1] of the Company.

2. The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than $120,000 in direct compensation from the Company, other than director and committee chair fees and pension or other forms of deferred compensation for prior service

(provided such compensation is not contingent in any way on continued service).

3. The director a) is a current partner or employee of a firm that is the Company s internal or external auditor; b) has an immediate family member who is a current partner of such a firm; c) has an immediate family member who is a current employee of such a firm and personally works on the Company s audit; d), or an immediate family member, was within the last three years a partner or employee of such a firm and personally worked on the Company s audit within that time.

4. The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company at which any of the Company s present executive officers at the same time serves or served on that company s compensation committee.

5. The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three years, exceeds the greater of $1 million, or 2% of such other company s consolidated gross revenues.

The NYSE listing standards require that the Board affirmatively determine that a director has no material relationship at the Company, and in satisfying this independence criteria, the Governance Committee considered the following transactions:

[1] For purposes of this standard, the term executive officer has the same meaning specified for the term officer in Rule 16a-1(f) under the Securities Exchange Act of 1934.

In 2017, the Company had banking relationships with Old National Bancorp, of which Mr. Jones is Chairman and Chief Executive Officer. The total fees paid for those relationships, which consist of approximately $128,000, represent a very small percentage of Old National Bank s 2017 revenues. These fees were solely transactional fees and included: $65,000 in payments for participation in and renewal of the $600 Million VUHI and Capital Corp. syndicated credit facilities at the level of $25 million; and a $63,000 payment for bank account service charges related to provision of the Vectren payroll account, which serves several subsidiary companies, provision of an account processing Vectren South customer utility payments, provision of the billings lockbox account for certain Vectren Energy Delivery projects, and provision of the checking account used in connection with a not-for-profit energy payment assistance fund. In addition, Old National Bank purchased utility services from the Company in the approximate amount of $1.6 Million, which also did not represent a significant percentage of Old National Bank s revenues.

In 2017, the Company had banking relationships with Fifth Third Bank, of which Ms. Tanner is Executive Vice President and Chief Administrative Officer. The total fees paid for those relationships, which consist of approximately $257,000, represent a very small percentage of Fifth Third Bank s 2017 revenues. These fees were solely transactional fees and included: $177,000 in payments for participation in and renewal of the $600 Million VUHI and Capital Corp. syndicated credit facilities at the level of $62 Million; a $9,000 payment for provision of a Vectren Corporation letter of credit totaling $900,000; and a $71,000 payment for bank account service charges related to provision of Vectren South operating accounts, which process customer payments and expenses, and provision for three nonutility operating functions: Energy Systems Group, LLC accounts, an Employee Political Action Committee account, and an account that supports Vectren s Foundation. Additionally, there are three pension trust funds (Pension Plan for Hourly Employees of Southern Indiana Gas and Electric Company; Indiana Gas Company, Inc., Bargaining Unit Retirement Plan; and Vectren Corporation Combined Non-Bargaining Retirement Plan), which, collectively, paid approximately $129,000 in market-based fees to Fifth Third Bank for the management of a bond fund that is one of 13 funds currently in the trust funds portfolios and represents 14% of their total assets. Fifth Third Bank also purchased $640,000 utility services from the Company, which did not represent a significant percentage of Fifth Third Bank s revenues or the Company s revenues.

Selection and Evaluation of Director Candidates

All director candidates must meet the requirements established by the Governance Committee from time to time and the director qualification standards included in the Company s Corporate Governance Guidelines. Candidates are reviewed in the context of the current composition of the Board, the operating requirements of the Company, and the long-term interests of shareholders. As discussed earlier in this report, the Governance Committee utilizes a holistic approach, which employs a collective strengths and experiences matrix to continuously assess the composition of the Board to ensure the membership, as a group, possesses the attributes needed to function at a high level. In considering director nominees, the Governance Committee employs a broad approach to diversity, taking into consideration factors that affect a candidate s life and work experiences, including, racial, gender, ethnic, social, economic, educational, professional, geographic, and community experiences. In discharging this responsibility, the Governance Committee assesses the viewpoint, background, and demographics of candidates and seeks to create a board that is strong in identity diversity, as well as having a collective knowledge and diversity of skills and experience with respect to accounting and finance, management and leadership, vision and strategy, business operations, business judgment, industry knowledge, corporate governance, public company experience, technology, legal matters, community relationships, and other factors the Governance Committee deems appropriate. When considering a candidate, the Governance Committee looks specifically at the candidate s qualifications in light of the needs of the Board and the Company at that time, given the then current mix of director attributes, including the matters discussed above. Specific selection criteria are set forth in the By-Laws and are also included in Appendix A.

Commitment

The Governance Committee is committed to ensuring that the Company implements and follows corporate governance principles that fulfill its responsibilities under its charter and enhances, where appropriate, the Company s corporate governance practices. The Governance Committee anticipates meeting at least three times in 2018.

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

Jean L. Wojtowicz, *Chair*,

James H. DeGraffenreidt, Jr.,

Patrick K. Mullen, and

Michael L. Smith

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Report of the Audit and Risk Management Committee

The Audit and Risk Management Committee (Audit Committee) oversees the Company s financial reporting process on behalf of the full Board. The Audit Committee consists of four members, who each satisfy the independence standard established by the full Board, as well as the independence requirements contained in the Corporate Governance Listing Standards of the New York Stock Exchange (NYSE).

Audit Committee members Michael L. Smith (committee chair), Derrick Burks and Jean L. Wojtowicz are each designated an Audit Committee Financial Expert, as determined by the Board and approved by the Governance Committee. Due to his significant financial acumen, the other member of the committee, R. Daniel Sadlier, has been determined to be financially literate, as defined by the NYSE Corporate Governance Listing Standards. The Nominee Biographies section of this proxy statement beginning on page 6 contains biographies on each Audit Committee member.

The Audit Committee met seven times during the past year.

Scope of Responsibilities

The Audit Committee operates under a written Audit and Risk Management Committee Charter, which addresses requirements enacted by the Securities and Exchange Commission (SEC) and the NYSE. The charter is posted on the Corporate Governance section of the Company s website at www.vectren.com. The charter, which is reviewed annually by committee members, specifies the Audit Committee s oversight of SEC and other financial compliance matters, as well as a number of additional responsibilities. These include:

- Overseeing the integrity of the Company s financial statements;
- Overseeing the registered public accounting firm s qualifications and independence;
- Overseeing the performance of the Company s internal audit function (Corporate Audit) and independent auditor;
- Overseeing the Company s system of disclosure controls and system of internal controls regarding finance, accounting, SEC compliance, and ethics that management and the Board have established; and
- Overseeing the Company s practices and processes relating to strategic risk assessment and risk management, including cybersecurity related risks.

2017 Accomplishments

In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management and the independent registered public accounting firm, Deloitte, the financial and related internal control information included in the Company s annual report filed with the SEC on Form 10-K. The Audit Committee received reports from management with respect to each of the Company s quarterly filings on Form 10-Q and reviewed drafts of the Company s earnings releases prior to public dissemination.

In compliance with the Public Company Accounting Oversight Board (PCAOB) Auditing Standard 16, Communications with Audit Committees, the Audit Committee discussed with Deloitte the timing of the audit, audit strategy and scope, and significant risks and unusual transactions. More specifically, items addressed by Deloitte with the Audit Committee in 2017, among others, related to the accounting for 1) state commission regulatory actions and filings; 2) ongoing actions to comply with United States Environmental Protection Agency regulations; and 3) the carrying value of certain assets and investments.

The Audit Committee also participated in discussions with Deloitte regarding its independence and received written disclosures from Deloitte as required by the PCAOB. The Audit Committee approved the terms of Deloitte s engagement letter.

The vice president of corporate audit reports functionally to the Audit Committee, and in early 2017, the Audit Committee reviewed and approved the corporate audit department s charter, engagement plan, and budget for that year.

The Audit Committee met periodically and separately with the vice president of corporate audit and Deloitte, with and without management present, to discuss the results of their audits and other engagements, their evaluations of the Company s internal controls, and their judgments on the quality and acceptability of the Company s financial reporting.

During the past year, the Audit Committee has monitored the transition of leadership within the controller and corporate audit groups. This transition involved the lateral movement of the controller to the role of vice president of corporate audit,

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the lateral movement of the vice president of corporate audit to the role of vice president and treasurer and the promotion of an existing director within the controller group to the role of vice president and controller. These movements were all executed in furtherance of the Company s ongoing succession planning and leadership development initiatives and have resulted in a seamless transition of changes in these roles and responsibilities.

During the year, the Audit Committee received updates from the Company s chief legal officer regarding compliance with SEC rules and regulations, as well as other litigation, claims, and legal matters that could potentially affect the Company s financial statements.

Corporate Code of Conduct

The Audit Committee is responsible for establishing, reviewing, and updating the Corporate Code of Conduct (Code), as well as ensuring management enforces and monitors compliance with the Code and that the Code complies with applicable rules and regulations.

The Audit Committee confirmed management has a proper review system to monitor the Code and for ensuring that publicly available financial information satisfies applicable legal requirements. The Audit Committee also confirmed, with assistance from the corporate audit department, that the members of the Board complied with the Code during 2017. The Code provides employees and others with contact information for the chair of the Audit Committee. The Code also identifies other methods to report issues or seek advice, such as through an anonymous third-party administered hotline. The Code is available on the Corporate Governance section of the Company s website at www.vectren.com (link is titled Corporate Code of Conduct).

Risk Management

The Audit Committee reviewed reports from management regarding enterprise risk that were considered by management s Risk Management Committee. This included a comprehensive and regular review of numerous business matters that present potential risks for the Company. One such risk regularly reviewed by both the Audit Committee and the full Board involves technology risks, including cybersecurity risks. During 2017, the Audit Committee received four reports from the company s chief information officer with respect to technology and cybersecurity risk management strategies employed by the company.

Sarbanes-Oxley Section 404 Compliance

Throughout the year, the Audit Committee reviewed reports from the vice president of corporate audit regarding the Company s ongoing compliance with the certification and attestation requirements of Sarbanes-Oxley Section 404. The Audit Committee also received similar reports from the Company s chief financial and accounting officer and the corporate controller, as well as commentary from Deloitte on the Company s compliance.

Independent Registered Public Accounting Firm Activities

Pursuant to the Audit Committee s responsibility to oversee the qualifications, independence, and performance of the Company s independent registered public accounting firm, the Audit Committee appoints the firm and, following approval of that action by the full Board, submits the appointment to the shareholders for ratification. With management s assistance, the Audit Committee is actively involved in approving the fees paid to Deloitte. In determining these fees, the Audit Committee and management considers the quality of work performed by Deloitte, the staffing mix Deloitte expects to employ, and the fees charged by Deloitte s peers and Deloitte on similar engagements.

The Audit Committee has adopted a formal policy on the pre-approval of audit and permissible non-audit services that Deloitte performs. Pre-approval is assessed on a case-by-case basis. In assessing requests for Deloitte s services, the Audit Committee considers whether the service is consistent with Deloitte s independence, whether Deloitte is likely to provide the most effective and efficient service based upon the firm s familiarity with the Company, and whether the service could enhance the Company s risk management capabilities or improve audit quality. The fees related to audit, tax, and other services provided by Deloitte in the last year were approved by the Audit Committee in accordance with this policy. Audit fees are disclosed in more detail in the section titled Audit and Non-Audit Fees of the Company s Independent Registered Public Accounting Firm, on page 72 of this proxy statement.

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Appointment of Deloitte

The Audit Committee has recommended to the full Board that Deloitte be appointed as the Company s independent registered public accounting firm for 2018. This appointment is subject to ratification by the Company s shareholders at the 2018 annual meeting. In determining whether Deloitte s appointment is in the best interest of the Company and its shareholders, the Audit Committee took into consideration a number of factors including, but not limited to:

- The quality of the Audit Committee s ongoing discussions with Deloitte;
- Deloitte s independence;
- Management s perceptions of Deloitte s industry expertise and past performance;
- External data relating to audit quality and performance, including recent PCAOB reports on Deloitte and its peers; and
- The appropriateness of fees charged.

Deloitte has been the Company s independent registered public accounting firm since May 17, 2002.

PCAOB regulations mandate that firms rotate engagement partners every five years. In May of 2017, the current Deloitte engagement partner began leading the audit. He assumed this role as part of the transition from the prior lead engagement partner, who had served the maximum allowable time.

Delineation of Responsibilities Among Management, the Independent Registered Public Accounting Firm, and the Audit Committee

Management is responsible for the Company s financial reporting process, which includes its system of internal control, and for the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Furthermore, management must establish and maintain disclosure controls and procedures and internal control over financial reporting; it must evaluate the effectiveness of the Company s disclosure controls and procedures and internal control over financial reporting; and it must evaluate any changes that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

The Company s independent registered public accounting firm, Deloitte, is responsible for auditing the financial statements prepared by management, and expressing an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States of America. Deloitte also provides an opinion on the effectiveness of the Company s internal control over financial reporting. The Audit Committee is responsible for monitoring and reviewing the processes performed by management and Deloitte. However, it is not the Audit Committee s duty or responsibility to conduct audits, or accounting reviews or procedures, or to independently verify Deloitte s representation that the firm is independent.

The Audit Committee members are not employees of the Company; therefore, they rely on management s representation that the financial statements have been prepared with integrity and objectivity and in conformity with the accounting principles generally accepted in the United States of America, and on Deloitte s reports regarding the Company s financial statements and internal control over financial reporting and its representations regarding independence. The Audit Committee s efforts do not guarantee that the Company s financial statements are presented in accordance with generally accepted accounting principles, that the audit of the Company s financial statements has been carried out in accordance with generally accepted auditing standards, or that the Company s independent registered public accounting firm is in fact independent.

2017 Form 10-K

After conducting the reviews and discussions detailed above, the Audit Committee recommended to the full Board that the audited, consolidated financial statements for the Company and its subsidiaries be included in the annual report on Form 10-K for the year ended December 31, 2017 for filing with the SEC.

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A copy of the Company s 2017 Form 10-K is available upon request, free of charge. Send your request to:

Attn: Investor Relations
Vectren Corporation
One Vectren Square
Evansville, IN 47708
vvcir@vectren.com

Annual Committee Charter Review and Performance Evaluation

The Audit Committee confirmed the completion of requirements stipulated in its charter for 2017, which included an annual performance evaluation and a review of its charter. These actions assist the committee with continuously improving its processes. The charter was last amended and restated, effective November 1, 2017.

Commitment

The Audit Committee is committed to ensuring that the Company establishes and abides by the necessary and appropriate financial reporting processes. The Audit Committee anticipates meeting seven times in 2018.

AUDIT AND RISK MANAGEMENT COMMITTEE

Michael L. Smith, *Chair*,

Derrick Burks,*

R. Daniel Sadlier, and

Jean L. Wojtowicz

* Following his election to the Board in the fall of 2017, Mr. Burks was appointed to replace James H. DeGraffenreidt, Jr. as a member of the Audit and Risk Management Committee. Mr. DeGraffenreidt remains a member of the Nominating and Corporate Governance Committee and Corporate Responsibility and Sustainability Committee. This change was made to equitably balance committee service among all board members.

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Report of the Compensation and Benefits Committee

The Compensation Committee has four members and met five times during 2017. The Compensation Committee is comprised solely of non-employee directors, all of whom meet the independence requirements established by the NYSE. The Compensation Committee members also meet other independence requirements imposed by federal laws and regulations. The Board has adopted a charter for the Compensation Committee, which is available on the Company s website at www.vectren.com. At each meeting, the Compensation Committee conducts an executive session without management present. As appropriate, the Compensation Committee also conducts private sessions with its independent compensation consultant.

Scope of Responsibilities

The Compensation Committee s responsibilities, which are discussed in detail in its charter, include, among other duties, the responsibility to:

- Establish the base salary, incentive compensation and any other compensation for the Company s chair, president and chief executive officer (Mr. Chapman) and each of the other executive officers;
- Administer the Company s management incentive and stock-based compensation plans, and provide oversight of the administration of the Company s and its regulated subsidiaries retirement and welfare plans; and
- Conduct the performance appraisal for Mr. Chapman; and perform other duties deemed appropriate and requested by the full Board.

Compensation determinations for the Company s executive officers, including Mr. Chapman, named in the Summary Compensation Table in this proxy statement (collectively, executive officers) are made by the Compensation Committee. Determinations regarding non-equity compensation for other Company officers and the leadership of primary subsidiary companies are made by Mr. Chapman and reviewed for reasonableness by the Compensation Committee. Compensation for the other officers of the Company s nonutility businesses is determined by the boards for those entities.

The Compensation Committee has engaged Korn Ferry/Hay Group (Hay Group), an independent outside human resources consulting firm, to conduct an annual review of the Company s total compensation program (base salaries, annual incentives and long-term incentives) for the executive officers. At the Compensation Committee s direction, Hay Group also provides advice with respect to the total compensation for the Company s other officers, as well as the officers of the Company s primary subsidiaries. The Hay Group also periodically reports to the Compensation Committee regarding developments in applicable regulations and trends pertaining to compensation programs.

The agendas for Compensation Committee meetings are established by its chair with assistance from the other members of the Compensation Committee, the Compensation Committee s independent compensation consultant, and the executive officers. Compensation Committee meetings are regularly attended by the executive officers, as well as the vice president of Human Resources. The Compensation Committee s chair reports the Compensation Committee s recommendations on executive compensation to the Board, including the results of their review of compensation determined by Mr. Chapman, and the Board approves the base salaries for the executive officers. Independent advisors, as directed by the Compensation Committee, support the Compensation Committee in its duties. In addition, one or more of the Company s officers, as well as the Company s Human Resources department, may be delegated authority to fulfill certain administrative duties regarding the compensation programs. The Company s Human Resources department is charged by the Compensation Committee with executing the compensation plans and programs adopted by the Compensation Committee, as well as implementing changes in compensation levels as directed by the Compensation Committee. The Compensation Committee has authority under its charter to retain, approve fees for and terminate advisors, consultants and agents as necessary or advisable to assist with its responsibilities.

Role of Board Chair, President and Chief Executive Officer in the Compensation Process

Compensation determinations for the Company s executive officers, including Mr. Chapman, are made by the Compensation Committee. The Compensation Committee delegates certain administrative duties to, and solicits recommendations from, Mr. Chapman in his role as chair, president and chief executive officer. He provides recommendations to the Compensation Committee regarding the base salary, annual incentive and long-term incentive opportunity for each of the other executive officers. He receives and reviews market data from the Compensation Committee s independent compensation consultant. In making his recommendations, Mr. Chapman considers the market data, as well as each executive officer s overall performance, contributions to the Company over the past year, experience and potential, internal pay equity, and any change in an executive officer s functional responsibility. Mr. Chapman s recommendations are reviewed by the Compensation Committee with assistance from its independent compensation consultant, and the Compensation Committee can accept or modify the recommended amounts. Determinations regarding short-term and long-term incentive opportunities under the At-Risk Compensation Plan (At-Risk Plan) for the other executive officers are approved by the Compensation Committee. Mr. Chapman also provides to the Compensation Committee compensation data for other Company officers and for certain officers of the Company s primary subsidiaries.

Mr. Chapman regularly attends Compensation Committee meetings to provide input as a representative of management. At each meeting, the Compensation Committee goes into an executive session and excuses Mr. Chapman and any other members of management who may be present. Actions required by the Compensation Committee relating to the establishment of executive compensation are deferred to, and acted upon, during the executive sessions. As appropriate, in those executive sessions Hay Group will also attend and provide counsel to the Compensation Committee.

Share Ownership Policy for Officers

The Company s share ownership policy requires officers to maintain share ownership targets and provides for a five-year transition period for officers to comply with these share ownership targets. The Compensation Committee expects officers to make ratable progress toward compliance each year. The program includes these key features:

- Participants who are officers have a share ownership target based on a multiple of their base salary, which is five times base salary for Mr. Chapman and three times base salary for Ms. Hardwick and Messrs. Schach and Christian. As of February 23, 2018, the executive officers listed in the Summary Compensation Table exceeded the established ownership requirements. The Compensation Committee reviews executive officers stock ownership on an annual basis. As of February 23, 2018, all other officers who are subject to the share ownership policy either met the ownership guidelines or were still in the five year compliance transition period and progressing toward the required ownership level. Moreover, based upon research conducted at the Compensation Committee s direction, the Compensation Committee determined in 2017 that the existing share ownership targets are in line with the market for such matters.

- Participants may count toward their targets the value of owned shares, phantom Vectren stock units held in nonqualified deferred compensation plans, and outstanding restricted shares and stock unit awards, with value based on a current market price of the Company s common stock.

For officers who have not met their ownership target at the time a stock unit award is settled under the At-Risk Plan, the above policy provides that the award will be settled in shares of Company common stock (unless such officer previously elected to defer such amounts into the Company s nonqualified deferred compensation plan). Effective January 1, 2015, and irrespective of the five-year transition period provided above, the Compensation Committee determined that officers receiving Company common stock (or phantom stock units under the Company s nonqualified deferred compensation plan) must continue to hold 50% or more of such common stock (or phantom stock units) until their ownership targets are met or exceeded.

Compensation Consultant

In accordance with the Compensation Committee s authority to retain consultants, Hay Group has been engaged as its independent compensation consultant for 2018. The Compensation Committee began its relationship with Hay Group in 2005. The representatives of Hay Group report directly to the Compensation Committee and, in performing engagements, are supervised by the Compensation Committee s chair. Once engagements are completed, reports to the entire Compensation Committee are made. With the chair s direction and supervision, Hay Group provides market data concerning the compensation of executives at comparable companies in order to determine whether the Company s compensation program is reasonable. From time to time, Hay Group also provides the Compensation Committee advice regarding other elements of executive compensation. These matters include regulatory updates and advice on executive compensation matters, including positions of corporate governance firms, as well as advice on employment, change in control, severance and retention agreements, and other arrangements and practices affecting executives. As discussed on page 23, Hay Group is also engaged from time to time by the Governance Committee to assist with the review and establishment of appropriate, market-based compensation for the non-employee members of the Board.

The Compensation Committee requires that its compensation consultant must be independent. Therefore, the consultant can only perform engagements for the Company under the direction and supervision of the Compensation Committee s chair

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or under the direction and supervision of the Governance Committee. No fees were paid to Hay Group for services other than executive officer and other officer compensation and non-employee director compensation consulting during 2017.

The Board has adopted the Vectren Corporation Compensation and Benefits Committee Consultant Engagement Policy, which is available on the Company s website at www.vectren.com, to ensure that the Compensation Committee remains in compliance with applicable independence requirements. The Compensation Committee has developed internal controls to ensure compliance with this policy and as part of those controls, at each meeting, the Compensation Committee reviews work performed by Hay Group since the prior meeting and confirms such work relates only to engagements requested by the Compensation Committee or Governance Committee. In light of SEC and NYSE rules, the Compensation Committee considered the independence of Hay Group, including assessment of the following factors: (i) other services provided to the Company by the consultant (of which, other than advice provided to the Governance Committee regarding non-employee board compensation, there were none); (ii) fees paid as a percentage of the consulting firm s total revenue; (iii) policies or procedures maintained by the consulting firm that are designed to prevent a conflict of interest; (iv) any business or personal relationships between the individual consultants involved in the engagement and any member of the Compensation Committee; (v) any Company stock owned by individual consultants involved in the engagement; and (vi) any business or personal relationships between the Company s executive officers and the consulting firm or the individual consultants involved in the engagement. The Compensation Committee has concluded that no conflict of interest exists preventing Hay Group from independently representing the Compensation Committee and that Hay Group is in compliance with the independence requirements discussed above. In 2017, the Compensation Committee completed its annual review of the external compensation consultant s performance to ensure the Compensation Committee receives appropriate counsel to carry out its key responsibilities.

Recoupment (Clawback) Policy

The Compensation Committee has adopted a pay recoupment or clawback policy which provides, under certain conditions, for the return of certain annual incentive compensation received by officers of the Company and its subsidiaries for a period of up to three years. Generally stated, those conditions are a material restatement of the Company s consolidated financial statements for a prior period, which, if such restated financial statements had been in effect at the time that incentive compensation was paid would have resulted in a lesser payment. The policy is intended to position the Company to comply with the requirements of the Dodd-Frank Act, recognizing that neither the SEC nor the NYSE has adopted final rules implementing this part of the law and it is unclear whether and when such rules will be finalized. The policy explicitly acknowledges that upon the adoption of further guidance from these authorities, the policy will need to be further reviewed and possibly revised. Given the continuing uncertainty in this area, due to the lack of definitive guidance from the SEC and the NYSE, and following the adoption of the policy, the Compensation Committee reserved the right in long-term incentive compensation agreements issued under the At-Risk Plan to subject those agreements to any successor policy during the agreement s vesting period. The Compensation Committee s clawback policy has been approved by the Board and is available on the Company s website at www.vectren.com.

Oversight of Company Benefit Plans

The Compensation Committee also has general oversight authority of benefit plans of the Company and its subsidiaries applicable to employees and retirees. In furtherance of that charge, during 2017 the Compensation Committee received reports from management regarding retirement and welfare plans. Those reports also addressed issues arising from federal health care legislation. The Compensation Committee anticipates continuing to receive such informational reports during 2018.

The Compensation Committee also received reports from management regarding ongoing efforts to continuously improve the design of the Company s incentive and benefit plans applicable to the majority of employees (primarily, at the corporate level and at the utility business). While the Compensation Committee does not directly administer those plans, it provides counsel to management with respect to plan design issues. The Compensation Committee anticipates continuing to perform such a role in 2018.

Company s Human Resources Advisory Committee

The Company has a Human Resources Advisory Committee (HRAC) that is composed solely of officers and is focused upon establishing policy with respect to human resource matters. Under its charter, the Compensation Committee is charged with appointing the HRAC s membership. Each year, the Compensation Committee reviews the membership of the HRAC, and, with input from Mr. Chapman, selects members of management to serve on that committee.

Regulatory Updates and Governance Practices

Throughout 2017, the Compensation Committee received regular updates from Hay Group regarding regulatory developments in the area of executive compensation. Those updates also addressed executive pay and governance practices as established by corporate governance rating firms. In establishing the executive compensation program that is more fully described in the Compensation Discussion and Analysis section beginning on page 41, the Compensation Committee is ever mindful of these regulatory developments and executive pay and governance practices and endeavors to ensure that the Company s executive compensation program is in alignment with those developments and practices.

As part of this oversight responsibility, in response to a report received by the Compensation Committee with respect to recent actions by the Securities and Exchange Commission (SEC) relating to whistleblowers, the Compensation Committee took actions to ensure that nothing in the Company s existing severance and/or employment agreement arrangements is inconsistent with individuals exercising their legal rights with respect to freely communicating concerns that could constitute whistleblowing. These actions included advising individuals with employment agreements (which included a very limited group within the Company s non- regulated businesses) that such communications are not precluded by the terms of those agreements, as well as modifying the Vectren Corporation Severance Plan for Executive Officers to explicitly recognize this right of communication.

Throughout the year, the Compensation Committee also received reports from management and Hay Group with respect to the compliance requirement relating to the CEO Pay Ratio rule. Those reports provided preliminary insight as to the expected ratio to be reported, as well as the methodologies for calculating the ratio. The reports also addressed communications plans to ensure all of the Company s stakeholders will be provided an appropriate informational framework in order to understand the final ratio that is presented on page 70 of this proxy statement.

Deductibility of Executive Compensation

In 1993, Congress enacted Section 162(m) of the Internal Revenue Code (Section 162(m)). As enacted, that law disallowed corporate deductibility for compensation paid in excess of one million dollars to the chief executive officer and the other three highest paid executives, unless the compensation is qualified performance-based compensation, which includes a requirement that it be payable solely on achievement of objective performance goals. The Company s At-Risk Plan, which was most recently amended and restated in May 2016, was structured to provide the Compensation Committee the discretion to award compensation satisfying the qualified performance-based compensation requirements of Section 162(m). In accordance with that authority, the Compensation Committee has acted, to the extent practical and consistent with the best interests of the Company and its shareholders, to use compensation policies that preserve the tax deductibility of grandfathered compensation expenses. On November 2, 2017, the Tax Cuts and Jobs Act (Tax Act) was introduced in the U. S. House of Representatives and signed into law on December 22, 2017. The Tax Act repealed the performance-based compensation exception to the $1 million yearly limit on the deduction for compensation under Section 162(m). The Tax Act did, however, grandfather existing compensation arrangements that were in place prior to November 2, 2017, and which have not been materially modified on or after that date. The Compensation Committee intends, to the extent practical, to preserve the grandfathered status of this preexisting compensation in order to provide for its eligibility for tax deductibility. With respect to compensation provided on and after that date (including 2018 compensation), the Compensation Committee will work with Hay Group to assess the appropriate market supported response to this law change. The Compensation Committee intends to preserve the performance based aspects of the Company s executive compensation program, irrespective of whether one hundred percent of that compensation is eligible for tax deductibility. In responding to the Tax Act, and to ensure compliance with that law, the Compensation Committee may conclude that some modifications to the At-Risk Plan are necessary or advisable. The Company will report to the public on these matters as they continue to develop.

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Annual Committee Charter Review and Performance Evaluation

The Compensation Committee determined that during 2017 it fulfilled the responsibilities under its charter, including the completion of an annual performance evaluation. The Committee also determined that no changes to the charter were necessary or advisable at this time.

Compensation and Benefits Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis included in this proxy statement beginning on page 41 with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into the Company s annual report on Form 10-K.

Commitment

The Compensation Committee is committed to fulfilling its responsibilities as set forth in the committee charter. The Compensation Committee expects to meet at least three times in 2018.

COMPENSATION AND BENEFITS COMMITTEE*

R. Daniel Sadlier, *Chair,*

Anton H. George,

Patrick K. Mullen, and

Teresa J. Tanner

*For a portion of 2017, the Compensation Committee included former Board member, Martin C. Jischke, who retired from service following the 2017 annual meeting of shareholders.

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Report of the Finance Committee

The Finance Committee is primarily responsible for ensuring the discharge of the Board s duties relating to the financing activities of the Company s utility and nonutility businesses. The Finance Committee consists of four members and is composed entirely of non-employee directors all of whom the Board has determined to be independent pursuant to the rules of the New York Stock Exchange.

The chair of the Finance Committee is Robert G. Jones. The Nominee Biographies section of this proxy statement beginning on page 6 contains biographies on each Finance Committee member. The Finance Committee met four times during the last year. At each meeting, the Finance Committee conducted an executive session without management.

Scope of Responsibilities

The Finance Committee s responsibilities are set forth in its charter, which is posted on the Company s website at www.vectren.com. Those responsibilities include:

- Acting within parameters established by the full Board with respect to the financing activities of the Company, including, as necessary or advisable, financing activities of its subsidiaries or affiliates;

- Acting on behalf of the full Board in limited instances where it is not practical for the full Board to meet and take action with respect to finance matters and only within parameters prescribed and delegated by the full Board; and

- Appointing, from among management, the members of the Company s Investment Committee, which is charged with monitoring certain retirement plan investments; developing retirement plan investment policies; selecting and reviewing investment managers and investment advisors; reviewing the funded status of the pension plans; and recommending Company contribution levels. The Finance Committee is also kept informed of the general activities of the Investment Committee, but does not make investment decisions, nor does it perform any functions delegated to the Investment Committee.

2017 Accomplishments

FINANCING PLAN AND CAPITAL MARKET DEVELOPMENTS

The Finance Committee reviewed and discussed with management its expected financing plan and the Company initiatives driving the plan. This review focused on the Company s five and ten year outlook of planned debt issuances and retirements, short-term borrowing levels, and prospects for issuing equity. Different scenarios, including scenarios reflecting the impacts of tax reform, were also discussed. The Finance Committee also received an update on capital market developments. This update focused on developments in the private placement market, which has been a primary source of funding, and how environmental matters impacting utilities may affect capital market access.

AUTHORIZATION OF 2017 FINANCING TRANSACTIONS

The Finance Committee provided authorization to execute specific financing transactions including: 1) the issuance of long-term debt by Vectren Utility Holdings, Inc. (VUHI); 2) the renewal and extension of Vectren Capital Corporation s and VUHI s short-term credit facilities; and 3) the remarketing, refinancing, and interest rate hedging of pollution control bonds outstanding at Southern Indiana Gas and Electric Company.

INTERNACTIONS WITH INVESTORS

The Finance Committee reviewed and discussed with management the planned investor relations strategies for 2017 inclusive of the implementation of new materials and use of those materials in meetings with analysts and investors. In addition, and together with the full Board, the members of the Finance Committee received reports from a large investor and a member of the investment community at the Board s Fall Retreat.

DIVIDEND POLICY

During 2017, the Finance Committee also received a detailed report and recommendation from management regarding a change in the Company s quarterly dividend on common stock.

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BANKING, RATING AGENCY, AND STATE REGULATOR RELATIONSHIPS

The Finance Committee discussed with management its various banking partners that will assist with meeting the Company s longer term financing plans and the partners that assisted with completing its 2017 financing transactions. The Finance Committee reviewed with management its credit ratings and communications with rating agencies. During 2017, the Finance Committee also reviewed recent filings with, and financing orders issued by, the Indiana Utility Regulatory Commission and the Public Utilities Commission of Ohio.

RETIREMENT PLANS AND APPROVAL OF INVESTMENT COMMITTEE MEMBERS

The Finance Committee received a report on the status of the Company s benefit plans, including the funding of and investments in those plans, and also received reports with respect to the Company s 401(k) plans. The Finance Committee evaluated candidates for, and appointed the members of, the Company s Investment Committee.

Annual Committee Charter Review and Performance Evaluation

As required by the Finance Committee s charter, the Finance Committee reviewed its charter and determined no changes were necessary or advisable at this time. Also, as required by that charter, the Finance Committee completed its 2016 performance evaluation at its first meeting in 2017 and will conduct its 2017 annual performance evaluation at its first meeting in 2018, which is expected to occur in April 2018.

Commitment

The Finance Committee is committed to overseeing the financing activities of the Company on behalf of the full Board and, in limited circumstances, to act on behalf of the Board with respect to financing matters when delegated authority to respond to certain circumstances. The Finance Committee is also committed to discharging its role with respect to certain of the Company s benefit plans, as more fully defined in the Committee s charter. The Finance Committee anticipates meeting at least three times in 2018 and will continue to focus on the matters set forth in its charter.

FINANCE COMMITTEE

Robert G. Jones, *Chair*,

Derrick Burks,*

John D. Engelbrecht, and

Teresa J. Tanner

* Following his election to the Board in the fall of 2017, Mr. Burks was appointed to replace R. Daniel Sadlier as a member of the Finance Committee. That appointment occurred after the date of the Finance Committee s last meeting

for the year. Mr. Sadlier remains a member of the Audit and Risk Management Committee, as well as chair of the Compensation and Benefits Committee. This change was made to equitably balance committee service among all board members.

Report of the Corporate Responsibility and Sustainability Committee

The Corporate Responsibility and Sustainability Committee (CRS Committee) is primarily responsible for both ensuring the discharge of the Board s duties relating to oversight of the Company s sustainability initiatives, as well as monitoring the Company s policies, practices, and procedures designed to ensure compliance with governmental regulations (other than SEC regulations). The Company initiated its corporate sustainability program in 2012 with the publication of its initial corporate sustainability report. Since that time, the Company continues to develop strategies that focus on those environmental, social, and governance factors that contribute to the long-term growth of the Company s sustainable business model. As detailed further in this document and in the upcoming corporate sustainability report for 2017, the Company sets out its plans, among other things, to upgrade and diversify its generation portfolio. The Company s sustainability policies and efforts, and in particular its policies and procedures designed to assure compliance with applicable laws and regulations, are directly overseen by the CRS Committee, as well as vetted with the full Board. Further discussion of key goals, strategies, and governance practices can be found in the Company s latest sustainability report at www.vectren.com/sustainability, which received core level certification from the Global Reporting Initiative. The CRS Committee consists of four members and met four times during the past year. At each meeting, the CRS Committee conducts a private session with the chief compliance officer, as well as an executive session without management present.

Scope of Responsibilities

The CRS Committee s responsibilities are set forth in its charter, which was modified in 2015 to emphasize its sustainability duties, and is posted on the Company s website at www.vectren.com. Those responsibilities include the oversight of Company policies, practices, and procedures relating to:

- Sustainability, including monitoring current and emerging political and social action, and public policy and environmental issues that may affect the business operations, material financial performance or public image of the Company, and also considering policies for sustainable growth strategies to create value consistent with long-term preservation and enhancement of the Company s financial, environmental, and social capital;
- Business practices and legal compliance, including compliance by utility operations with applicable safety and reliability regulations;
- Public communications with key stakeholders, other than the financial community;
- Community relations, including charitable contributions and community affairs;
- Customer relations, including customer satisfaction and quality of customer service;

Overseeing policies, practices, and procedures relating to employer practices and procedures, including the Company s objective of being an employer of choice, compliance with employment related laws, regulations and policies, and the Company s Human Equity initiative (which is focused upon driving a sustainable culture supportive of a diverse and inclusive work environment where individual talents are recognized, developed, and maximized);

Environmental compliance and stewardship, including adherence to environmental laws and regulations; and

The promotion of a culture of public and employee safety.

2017 Accomplishments

In 2017, the CRS Committee scheduled an additional meeting in order to receive training related to pipeline safety compliance and sustainability leadership. Regarding pipeline safety, a speaker from the American Gas Association (AGA) provided information regarding compliance best practices and use of performance metrics, and compared Vectren s safety practices to peer companies. With respect to sustainability, a speaker from The Conference Board presented on the pillars supporting a leading sustainability culture. Emphasis was placed on linking sustainability goals to strategic planning.

During the past year, the CRS Committee received reports related to corporate sustainability initiatives, as well as the Company s governance of sustainability issues. The CRS Committee also received reports on climate assessment statistics and initiatives as well as potential renewable energy initiatives, including with respect to system solar development by the Company. The CRS Committee reviewed the metrics related to the Company s 2016 draft sustainability report and discussed proposals being made to the SEC to adopt standard disclosures related to sustainability issues. The CRS Committee is also reviewing the Company s 2017 submission of Global Reporting Initiative and the 2017 sustainability report, which will be issued by the second quarter of 2018. The Company s compliance with regulations at its regulated utility businesses was also monitored by the CRS Committee. Reports were received from Company management regarding compliance with the requirements imposed by the North American Electric Reliability Corporation, as well as pipeline safety matters, including state audit results, and facility locating and preparation to comply with new pipeline safety rules related to storage operations. Company management provided reports regarding improvements to the Company s compliance framework, including ongoing implementation of a Safety Management System (SMS), and the continued focus on establishing a safety first culture. To enhance these efforts, the company engaged Price Waterhouse Coopers to conduct an SMS reassessment and expand on its previous recommendations in order to enable further continuous improvement of safety processes. The chief compliance officer regularly reported on the process used to oversee compliance matters at the Company.

Throughout the past year, legislative matters of importance to the Company at the federal level, as well as in Indiana and Ohio, and the activities of the Company s Political Action Committee (PAC), were reviewed and discussed with the CRS Committee.

During the past year, the CRS Committee monitored the activities of the Vectren Foundation. This monitoring included receiving regular updates regarding the Foundation s activities in the Company s regulated utility business operating areas. In addition, the CRS Committee reviewed and approved the Foundation s budgeted level of contributions for 2018. The Committee reviewed potential Foundation initiatives designed to develop grassroots economic growth, including the possible use of loans to small businesses in a coordinated effort with the Indiana Small Business Development Corporation. In addition, the CRS Committee received regular reports related to community sustainability initiatives being supported by the Company designed to foster economic development in economically challenged communities served by the Company s regulated utility businesses.

During the past year, the CRS Committee monitored activities related to the Company s relationships with its customers, including the ongoing measurement of customer satisfaction which is used by the Compensation Committee as a performance metric for annual incentive awards under the Company s At-Risk Plan. That performance metric is discussed further on pages 48-51. The CRS Committee also regularly received reports regarding the measurement of customer satisfaction as determined by J.D. Power and Associates (J.D. Power). Company management also reported to the CRS Committee how results of the Company s own customer surveys are used to supplement the J.D. Power results. Customer service enhancements and the progress on automated meter reading projects and the planned implementation of electric advanced metering infrastructure were discussed with the Committee. Reports were provided by management regarding the Company s continued implementation of gas and electric efficiency programs. The performance of these programs is also used by the Compensation Committee as a metric for establishing annual incentive awards under the At-Risk Plan. The energy efficiency performance metric is also discussed on pages 48-51. Company management regularly reported on regulatory proceedings before the Indiana Utility Regulatory Commission and the Public Utilities Commission of Ohio. During these reports, further resource studies based upon the Company s Integrated Resource Plan for part of a planned transition of its generation were discussed.

During the past year, the safety performance of the Company s regulated utility business was monitored by the CRS Committee. Employee safety performance is used by the Compensation Committee as a metric in establishing annual incentive awards under the At-Risk Plan. The CRS Committee monitored such performance during the year. That performance metric is discussed further on pages 48-51. Considerable attention was given to the safety performance of the Company s regulated utility businesses compared to the safety performance of other regulated utility companies, as well as efforts being implemented by Company management to minimize workplace accidents and injuries, such as the use of near miss reports for training purposes. The Company s ongoing enhancement of its safety culture, including increased input from the bargaining unit, was discussed. The CRS Committee also received updates regarding safety results at the Company s non-regulated businesses. During the past year, the CRS Committee monitored the Company s employment practices. Reports were provided regarding hiring practices and development of diverse candidate pools. The CRS Committee also monitored management s continuing efforts to enhance employee diversity and inclusion at the Company including reports regarding the Company s Human Equity Initiative.

The Company s environmental compliance and stewardship were considered at each meeting of the CRS Committee. Presentations were provided regarding the status of various EPA regulations, covering, among other topics, effluent limitations guidelines, fly ash disposal and beneficial reuse, and the regulation of carbon emissions from the Company s coal fired electric generating units. The planned closure of certain ash ponds was also discussed. Reports were provided on the potential impact of a stay of the Clean Power Plan rule and the potential for common law suits. Company management also reviewed the process used to assess future electric generation resource choices and make decisions related to the continued operation of the Company s electric generating units.

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Annual Committee Charter Review and Performance Evaluation

The CRS Committee has reviewed and confirmed its compliance with its charter during 2017. Also, as required by that charter, the CRS Committee conducted an annual performance evaluation, the results of which will be discussed at its April 2018 meeting.

Commitment

The CRS Committee is committed to ensuring the Company conducts its operations consistent with the long-term sustainability of the enterprise that will be of continuing benefit to the Company s stakeholders. The CRS Committee anticipates meeting at least three times in 2018 to continue to focus on the matters within the scope of its charter.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY COMMITTEE

John D. Engelbrecht, *Chair*,

James H. DeGraffenreidt, Jr.,*

Anton H. George, and

Robert G. Jones

* Until the time of the 2017 annual shareholder meeting, Martin C. Jischke was a member of this Committee. Mr. Jischke retired following that meeting, at which time James H. DeGraffenreidt, Jr. was appointed as a member.

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Compensation Discussion and Analysis

In this Compensation Discussion and Analysis section the terms we, our, and us refer to Vectren Corporation and term Compensation Committee refers to the Compensation and Benefits Committee of Vectren s Board of Directors and the term executive officers refers to our Named Executive Officers (NEOs) identified in the Summary Compensation Table of this proxy statement. Information concerning the compensation of non-employee directors can be found under the heading Director Compensation beginning on page 18.

The purpose of this Compensation Discussion and Analysis is to provide information about our compensation objectives and policies for our executive officers.

Forward-Looking Statements

The following discussion and analysis contains statements regarding our future Company and individual performance targets and goals. These targets and goals are disclosed in the limited context of our compensation programs and should not be understood to be statements of management s expectations or estimates of results or other guidance. We specifically caution investors not to apply these statements to other contexts.

Executive Summary

The following are key features of our executive officer compensation program. A more detailed disclosure follows this summary. Our compensation philosophy and related governance features and practices are designed to align our executive officer compensation with long-term shareholder interests.

PAY FOR PERFORMANCE

The primary objectives of our compensation program are paying for Company performance, individual performance, and level of job responsibility, as well as attracting and retaining successful, high achieving employees. While all executive officers receive a mix of short-term and long-term incentive compensation, a greater portion of compensation that can be earned by our executive officers is tied to long-term performance because they are in a position to have greater influence on long-term results. A significant portion of compensation that can be earned by our executive officers is directly related to both annual and long-term Company performance-based goals that are approved by the Compensation Committee.

As illustrated in the accompanying charts, in 2017, approximately 79% of the chief executive officer s (CEO) total direct compensation (base salary, annual incentive, and long-term incentive) and approximately 67% of the other executive officers total direct compensation was performance-based and not guaranteed. The below charts include base salaries as of the end of the year, target annual incentives, and the fair value of the long-term incentives as of the date established or granted.

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2017 CORPORATE PERFORMANCE

Calendar year 2017 reflects not only a year of strong operational and financial performance, but the advancement of many strategic initiatives, which are laying the groundwork for our continued success. Reported net income for 2017 rose to $216.0 million, or $2.60 per share, compared to net income of $211.6 million, or $2.55 per share in 2016. As detailed in the table and charts below, we continued to grow earnings per share over the three-year period, and we also outperformed our competitive peer group and the S&P 500 during the one-, three- and five-year measurement periods.

	Year ended December 31,		
In millions, except per share amounts	**2017**	2016	2015
Net Income	**$216.0**	$211.6	$197.3
Return on average common shareholders equity (ROE)	**11.9%**	12.3%	12.0%
Basic earnings per common share	**$2.60**	$2.55	$2.39

Total Shareholder Return (TSR)	**1-year**	3-year	5-year
Vectren	**28.3%**	15.8%	21.4%
Competitive Peer Group	**13.1%**	12.5%	16.7%
S&P 500 Index	**24.7%**	11.6%	15.8%

[1]Total Shareholder Return reflects the compound annual growth rate of i) Vectren, ii) its 2018 peer group (provided on page 55), and iii) the S&P 500 Index.

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CLAWBACK POLICY

As approved by the Compensation Committee, we have adopted a policy that reaches beyond the executive officer population to recoup or clawback future annual incentive compensation paid to current and former officers that resulted from a material restatement of our financial statements. The Compensation Committee expects to proactively review and refine our clawback policy, if necessary or advisable, or as required as a result of additional guidance provided by the SEC. The Compensation Committee has also reserved the right in long-term grant agreements issued to executive and other officers that any successor clawback policy adopted will apply to such grants. You may access this policy in the Corporate Governance section of our website at www.vectren.com.

PERFORMANCE THRESHOLDS AND PAYOUT CAPS

Both the annual incentive and long-term performance awards granted to executive officers require a threshold level of performance in order to achieve payments, and the awards are capped at 200% of target performance, as reflected in the 2017 Grants of Plan-Based Awards Table on page 59.

STOCK OWNERSHIP

We have a share ownership policy which requires executive officers to meet or exceed share ownership targets. Executive officers have a share ownership target based on a multiple of their base salary, which is five times base salary for Mr. Chapman and three times base salary for Ms. Hardwick, and Messrs. Schach and Christian. All executive officers are in compliance with their respective ownership targets.

HEDGING PROHIBITION, ANTI-PLEDGING POLICY

Under our Insider Trading Policy, insiders (which include executive officers and Board members) are prohibited from hedging transactions, pledging transactions and forms of speculation with respect to our common stock and related securities. You may access this policy in the Corporate Governance section of our website at www.vectren.com.

EXECUTIVE BENEFITS

Our executive benefits are limited to an executive physical program, executive life insurance, and executive long-term disability insurance, which costs and premiums are assumed by the Company. We do not provide tax gross-ups for such benefits.

RETIREMENT PLANS AND NONQUALIFIED PLANS

In addition to tax-qualified plans which are available to substantially all of our non-union employees, the executive officers have access to plans which restore both defined benefits and defined contributions that are lost due to Internal Revenue Service limitations. We also have an unfunded supplemental retirement plan. Participation in the unfunded supplemental retirement plan is limited to only two current executive officers, and this plan has been closed to new participants.

SEVERANCE BENEFITS

We have an executive severance plan and change in control agreements for our executive officers. The change in control agreements employ a double trigger upon a change in control such that payments are only made upon a change in control and subsequent qualified termination of employment. We do not provide excise tax gross-ups for change in control benefits. The change in control agreements use a modified severance payment cap that can reduce benefits based on the particular tax situation of the executive officer receiving payment.

INDEPENDENT COMPENSATION CONSULTANT

The Compensation Committee has engaged Hay Group to report directly to the Compensation Committee as its independent compensation consultant. The consultant provides independent advice to the Compensation Committee and does not provide any other services to us other than at the direction of the Compensation Committee. In addition, the Governance Committee from time to time engages Hay Group to provide market data on the competitiveness of our non-employee director compensation program. For further details, see the discussion of such engagements beginning on page 32.

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Objectives of Vectren s Compensation Programs

The objectives of our executive officer compensation programs are as follows:

- Compensation should be based on the level of Company performance, individual performance, and level of job responsibility. As employees progress to higher levels in the organization, an increasing proportion of their pay should be linked to Company financial performance because those employees have more ability to affect the Company s results.

- Compensation should reflect the value of the job in the marketplace. To attract and retain a highly skilled workforce, we must remain competitive with the pay of other employers who compete with us for talent. Our compensation programs are designed to be competitive with market practices for comparable sized companies in the energy market and general industry markets, with the data that we take into consideration weighted 75% and 25%, respectively, to approximate our mix of utility and nonutility businesses.

- Compensation should reward performance. Our programs should deliver top-tier total compensation given top-tier Company and individual performance; likewise, when Company performance lags the industry and/or individual performance falls short of expectations, the programs should deliver lower-tier compensation. In addition, we must balance the objectives of pay for performance and retention.

- While all executive officers receive a mix of both annual and long-term incentives, executive and other officers at higher levels have an increasing proportion of their compensation tied to long-term performance, because they are in a position to have greater influence on long-term results.

In assessing the appropriate overall compensation level for our executive officers, the Compensation Committee considers numerous factors and challenges facing our businesses, including:

- Our need to attract and retain effective management;

- The competitive markets in which we operate;

- The economic conditions and resulting business environment in the Midwest compared to other regions of the country;

- The regulation of our operations and the resulting impact on the cost of our products and services and our customers ability to pay for the services they receive;

The challenges and potential cost to access capital to finance our ongoing operations; and

The importance of our nonutility businesses to our overall long-term success.

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Executive Compensation Strategy and Process

As discussed below, the Compensation Committee has processes that assist our executive officer compensation program in achieving these objectives.

ASSESSMENT OF COMPANY PERFORMANCE

The Compensation Committee uses Company performance measures in two ways. First, in establishing total compensation ranges, the Compensation Committee considers various measures of Company and industry performance, including, among other measures, earnings per share, return on equity, and total shareholder return. The Compensation Committee does not apply a formula or assign these performance measures relative weights. Instead, it makes a subjective determination after considering such measures collectively. Second, as described in more detail below, the Compensation Committee has established specific Company performance measures, against which actual performance determines the amount of compensation earned.

ASSESSMENT OF INDIVIDUAL PERFORMANCE

Individual performance has a strong impact on the compensation of all employees, including the CEO and the other executive officers. Annually, the Board completes a comprehensive evaluation of the CEO s performance on a range of different performance measures including financial, operating, and strategic achievements. The Compensation Committee meets to summarize and discuss the results of the evaluation process. The chair of the Compensation Committee then reports the results of this process to the full Board in executive session. For the other executive officers, the Compensation Committee receives a performance assessment and compensation recommendation from the CEO and also exercises its judgment based on the Board s direct interactions with each executive officer. As with the CEO, the performance evaluation of these executive officers is based on achievement of objectives by the Company and the executive officer, their contribution to the Company s performance and other leadership accomplishments.

BENCHMARKING

The Compensation Committee uses market compensation information from Hay Group s Energy Industry Executive Compensation Report and Hay Group s Industrial Executive Compensation Report to ensure that the executive officer compensation program as a whole is competitive. We define competitive as generally within the 50th percentile of comparative pay of similar sized companies within Hay Group s compensation reports when we achieve targeted performance levels.

In measuring the market competitiveness of our total compensation program, Hay Group has advised the Compensation Committee that the firm s compensation survey reports (Hay Group Energy Executive Compensation Report and the Hay Group Industrial Executive Compensation Report), which contain information from 548 companies (77 energy companies and 471 general industry companies), provide a well-founded source of information from which the Compensation Committee can assess our executive officers compensation compared with the entire marketplace. This comparison is key to determining that our total compensation program is in line with what others are paying their executives, which will assist us in attracting and retaining the talent necessary to operate our businesses. To approximate our mix of utility and nonutility businesses, the market data taken into consideration is weighted 75% energy market data and 25% general industry market data.

The Compensation Committee also reviews peer group market compensation data as another data source for consideration in benchmarking compensation levels and pay mixes. The peer group criteria are described in detail on pages 53-54. An executive officer s relative compensation position to benchmark is driven by Company and individual performance. In addition, the Compensation Committee reviews internal pay equity on a regular basis.

TOTAL COMPENSATION REVIEW

The Compensation Committee annually reviews each executive officer s base pay, annual incentive, and long-term equity incentive with guidance from Hay Group. In addition to these primary compensation elements, the Compensation Committee also reviews the deferred compensation programs and other compensation that would be required under various severance and change in control scenarios.

Material Differences in Compensation Policies for Individual Executive Officers

The Compensation Committee conducts an annual performance review of the CEO based on his contributions to the Company s performance, achievement of objectives and leadership accomplishments. For the other executive officers, the

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Compensation Committee receives a performance assessment from the CEO and exercises its judgment based on the Board s interaction with each executive officer, and compensation is based on Company performance, individual performance, and the level of job responsibility. In addition, as part of the benchmarking process, as noted above, the Compensation Committee reviews market information with respect to the levels of compensation for executive positions similar to those held by our executive officers. Market comparability is an important factor in determining the amount of compensation awarded to each executive officer. Market data reflects that the chief executive officers of our peer companies and Hay Group s benchmark data are paid higher, and with a greater proportion of at risk compensation, than other executives at those same companies. With assistance from Hay Group, the Compensation Committee designs total compensation packages which ensure that any differential between the pay for the CEO and the other executive officers is market-based and is not excessive.

Monitoring of the Company s Pay Practices

The Compensation Committee is mindful of the need to ensure that our pay practices are appropriate, in line with the market for executive compensation, and serve our shareholders long-term interests. As part of this process, the Committee has identified a number of key practices that it believes are consistent with our philosophy and which promote excellent corporate governance. Similarly, the Committee believes there are certain compensation and employment practices that should be avoided. Both views are summarized below:

What We Do	**What We Don t Do**
Maintain a pay-for-performance environment - majority of our executive officers pay is performance-based	X No employment agreements for executive officers
Maintain robust stock ownership requirements	X No incentive plans that encourage excessive risk taking
Maintain a claw-back policy	X No tax gross ups
Require double-trigger change in control provisions	X No excessive perquisites

Retain an independent compensation consultant	X No repricing of underwater options
Require a one-year minimum vesting period for all performance awards	X No hedging, pledging, or short sales