



Vectren Corporation
Board of Directors
Audit and Risk Management Committee Charter
Adopted As Of February 26, 2003,
Amended and Restated As Of March 1, 2006,
Further Amended and Restated as of August 1, 2006,
Further Amended and Restated as of April 28, 2009

I. Statement of Purpose

The Audit and Risk Management Committee (Committee) is established by and amongst the Board of Directors (Board) of Vectren Corporation (Company) for the primary purpose of assisting the Board in:

- overseeing the integrity of the Company's financial statements,
- overseeing the Company's compliance with legal and regulatory requirements,
- overseeing the registered public accounting firm's (independent auditor'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, legal compliance, and ethics that management and the Board have established, *and*
- overseeing the Company's practices and processes relating to risk assessment and risk management.

Consistent with this function, the Committee should encourage continuous improvement of, and should foster adherence to, the Company's policies, procedures and practices at all levels. The Committee should also provide an open avenue of communication among the independent auditors, financial and senior management, the Corporate Audit department, Risk Management department and the Board.

The Committee has the authority to obtain advice and assistance from outside legal, accounting, or other advisors as deemed appropriate to perform its duties and responsibilities.

The Company shall provide appropriate funding, as determined by the Committee, for compensation to the independent auditor and to any advisers that the Committee chooses to engage.

The Committee will primarily fulfill its responsibilities by carrying out the activities enumerated in Section III of this Charter. The Committee will report regularly to the Board regarding the execution of its duties and responsibilities.

II. Organization

- A. *Charter.* At least annually, this charter shall be reviewed and reassessed by the Committee and any proposed changes shall be submitted to the Board for approval.

- B. *Members.* The Committee shall be comprised of three or more directors as determined by the Board, each of whom shall be independent directors (as defined by all applicable rules and regulations), and free from any relationship (including disallowed compensatory arrangements) that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. In complying with the requirements for independence (as defined by all applicable rules and regulations), the Committee may choose to achieve such compliance over any permitted transition period. Each of the members of the Committee must comply with all financial-literacy requirements of the securities exchange on which the Company is listed. At least one member of the Committee shall be an “audit committee financial expert” in compliance with the criteria established by the SEC and determined by the Board. The existence of such member(s) shall be disclosed in periodic filings as required by the SEC. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Company or an outside consultant.

If a Committee member simultaneously serves on the audit committee of more than three public companies, the board is required to determine that such simultaneous service would not impair the ability of such member to effectively serve on the Committee. Such determination must be disclosed in periodic filings as required by the SEC.

Annually, the members of the Committee shall be appointed by the Board at the annual meeting of the Board. Vacancies or additions to the Committee may be filled at any time during the year by action of the full Board. The term of service for Committee members shall be one year or until their successors shall be duly elected and qualified. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

- C. *Meetings.* The Committee shall meet at least four times annually, or more frequently as circumstances dictate. Meetings may be conducted through the use of any means of communication by which all members may simultaneously hear each other during the meeting. As part of its job to foster open communication, the Committee should meet periodically with management, the director of the Corporate Audit department and the independent auditor in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. In addition, the Committee should meet quarterly with the independent auditor and management to discuss the annual audited financial statements and quarterly financial statements, including the Company’s disclosure under “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. The Committee will also periodically meet with management responsible for risk management.
- D. *Executive Sessions.* At the conclusion of each meeting, the Chair may conduct an executive session where directors meet without management participation.
- E. *Quorum; Action by Committee.* A quorum at any Committee meeting shall be at least a majority of the Committee. All determinations of the Committee shall be at least a majority of its members present at a meeting duly called and held. Any decision or determination of the Committee reduced to writing and signed by all of the members of the Committee shall be fully as effective as if it had been made at a meeting duly called and held.
- F. *Agenda, Minutes and Reports.* The Chair of the Committee shall be responsible for establishing the agenda for the meetings of the Committee. An agenda, together with materials relating to the subject matter of each meeting, shall be sent to the members of the Committee prior to each meeting. Minutes for all meetings of the Committee shall be prepared to document the

Committee's discharge of its responsibilities. The minutes shall be circulated in draft form to all Committee members to ensure an accurate final record, shall be approved at a subsequent meeting of the Committee and shall be distributed periodically to the full Board. The Committee shall make regular reports to the Board.

- G. *Performance Evaluation.* The Committee shall evaluate its performance on an annual basis and develop criteria for such evaluation.

III. Responsibilities

The following shall be the principal responsibilities of the Committee:

A. DOCUMENTS/REPORTS/ACCOUNTING INFORMATION REVIEW

1. Meet with management and the independent auditor to review and discuss the Company's annual financial statements, quarterly financial statements, and all internal controls reports (or summaries thereof). Review other relevant reports or financial information submitted by the Company to any governmental body, or the public, including management certifications as required by the Sarbanes-Oxley Act of 2002 (Sections 302, 404 and 906) and relevant reports rendered by the independent auditor (or summaries thereof).
2. Recommend to the Board whether the financial statements should be included in the Annual Report on Form 10-K. Review with financial management and the independent auditor the 10-Q prior to its filing (or prior to the release of earnings).
3. Review and comment on the earnings press releases with management, including review of "pro-forma" or "adjusted" non-GAAP information.
4. Discuss with management financial information and earnings guidance provided to analysts and rating agencies. Such discussions may be on general terms (i.e., discussion of the types of information to be disclosed and the type of presentation to be made).
5. Review the regular internal reports (or summaries thereof) to management prepared by the Corporate Audit department as well as management's response and related corrective action plans.

B. INDEPENDENT AUDITOR

1. Appoint (subject to shareholder ratification, if the Board determines such ratification should be submitted to the Company's shareholders), compensate and oversee the work performed by the independent auditor for the purpose of preparing or issuing an audit report or related work. Review the performance of the independent auditor and remove the independent auditor if circumstances warrant. Review the experience and qualifications of senior members of the independent audit team annually and ensure that all partner rotation requirements, as promulgated by applicable rules and regulations, are executed. The independent auditor shall report directly to the Committee and the Committee shall oversee the resolution of disagreements between management and the independent auditor in the event that they arise. Consider whether the independent auditor's performance of permissible non-audit services is compatible with the auditor's independence. Discuss with the independent auditor the matters required to be discussed under Statement on Auditing Standards (SAS) No. 61, as amended.

2. Review with the independent auditor any problems or difficulties and management's response; review the independent auditor's attestation and report on management's internal control report; and hold timely discussions with the independent auditors regarding the following:
 - all critical accounting policies and practices;
 - all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor;
 - other material written communications between the independent auditor and management including, but not limited to, the management letter and schedule of unadjusted differences; and
 - an analysis of the independent auditor's judgment as to the quality of the Company's accounting principles, setting forth significant reporting issues and judgments made in connection with the preparation of the financial statements.
3. At least annually, obtain and review a report by the independent auditor describing:
 - the firm's internal quality control procedures;
 - any material issues raised by the most recent internal quality-control review, peer review, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and
 - all relationships between the independent auditor and the Company (to assess the independent auditor's independence).
4. Review and preapprove both audit and non-audit services to be provided by the independent auditor (other than with respect to *de minimis* exceptions permitted by the Sarbanes-Oxley Act of 2002). This duty may be delegated to one or more designated members of the audit committee with any such preapproval reported to the audit committee at its next regularly scheduled meeting. Approval of non-audit services shall be disclosed to investors in periodic reports required by Section 13(a) of the Securities Exchange Act of 1934.
5. Set and review clear hiring policies on an annual basis to ensure compliance with governing laws or regulations, for employees or former employees of the independent auditor.

C. *FINANCIAL REPORTING PROCESSES AND ACCOUNTING POLICIES*

1. In consultation with the independent auditor and the Corporate Audit department, review the integrity of the organization's financial reporting processes (both internal and external), and the internal control structure (including disclosure controls and procedures and internal control over financial reporting).
2. Receive and review any disclosure from the Company's CEO or CFO made in connection with the certification of the Company's quarterly and annual reports filed with the SEC of: a)

significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial data; and b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control structure.

3. Review with management major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies.
4. Review analyses prepared by management and the independent auditor setting forth financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.
5. Review with management the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
6. Establish and maintain procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting and controls, or auditing matters.
7. Establish and maintain procedures for the confidential, anonymous submission by Company employees regarding questionable accounting, internal control or auditing matters.

D. *CORPORATE AUDIT*

The Committee is to ensure there are no unjustified restrictions or limitations on the Corporate Audit department in carrying out its duties. Additionally the Committee will:

1. Annually, review and recommend changes (if any) to the Corporate Audit charter.
2. Review and approve the annual audit plan.
3. Review the organizational structure, departmental budget and qualifications of the Corporate Audit department annually.
4. Review and advise on the selection and/or removal of the Director of Corporate Audit when appropriate.
5. Review the performance of the Director of Corporate Audit when appropriate and when necessary communicate the performance of the Director of Corporate Audit to management.
6. Periodically review with the Director of Corporate Audit any significant difficulties, disagreements with management, or scope restrictions encountered in the course of the department's work.

E. *ETHICAL COMPLIANCE, LEGAL COMPLIANCE, AND RISK MANAGEMENT*

1. Establish, review and update periodically a Code of Ethical Conduct and ensure that management has established a system to enforce this Code. Ensure that the code is in compliance with all applicable rules and regulations.
2. Review management's monitoring of the Company's compliance with the organization's Ethical Code, and ensure management has the proper review system in place to ensure that Company's financial statements, reports and other financial information disseminated to governmental organizations, and the public satisfy legal requirements.
3. Review, with the Company's general counsel, legal compliance matters including corporate securities trading policies.
4. Review, with the Company's general counsel, any legal matter that could have a significant impact on the organization's financial statements.
5. Discuss and review policies with respect to risk assessment and risk management. Such discussions should occur quarterly and include the Company's major financial and accounting risk exposures and the actions management has undertaken to control them.

F. *OTHER RESPONSIBILITIES*

1. Review with the independent auditor, the Corporate Auditing department and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented. (This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.)
2. Prepare and approve the report that the SEC requires be included in the Company's annual proxy statement.
3. Perform any other activities consistent with this Charter, the Company's by-laws and governing law, as the Committee or the Board deems necessary or appropriate.