

sustainability in practice

2015 Vectren Corporation Sustainability Report





Environmental Policy Mission Statement

Environmental stewardship is a basic value and belief for each one of us at Vectren. Our employees and their families live and work in the same cities and towns, breathe the same air and utilize the same natural resources as our customers. Each of us is committed to fully comply with all environmental regulation and ensure our energy products and services not only meet customer needs, but also enhance the quality of life in each of our communities and leave behind a better environment for us all.



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As a local energy provider, we understand the value of integrating sustainable practices in our daily operations and long-term strategies. And we made great strides in 2015; whether through community improvement initiatives, system enhancements, employee wellness offerings or energy efficiency programs, we continue to operate on the principle that sustainability and our stakeholders form the backbone of our performance and identity as a company. Although an evolving energy environment will demand a new approach to areas of our business, our commitment to this principle will remain unchanged.

Our vision for sustainable growth is reflected in our diverse portfolio of businesses, which allowed us to strengthen our electric and natural gas systems and expand into new horizons over the past year. Natural gas infrastructure modernization plans continued throughout our territory, and the frequency and duration of power outages in our southwest Indiana territory continued to decrease thanks to electric system enhancements. We also gained from pursuing new opportunities, a fact best reflected in our growing Energy Services division, which benefited from an acquisition and is finding success in the rapidly emerging markets for sustainable infrastructure and energy efficiency.

Our customers and communities also benefited from sustainability initiatives. In the past year, we debuted a number of new outreach efforts for cities and towns which offer redevelopment and revitalization opportunities, and our suite of energy efficiency programs, including rebates on high-efficiency products and home weatherization services, set record energy savings in 2015.

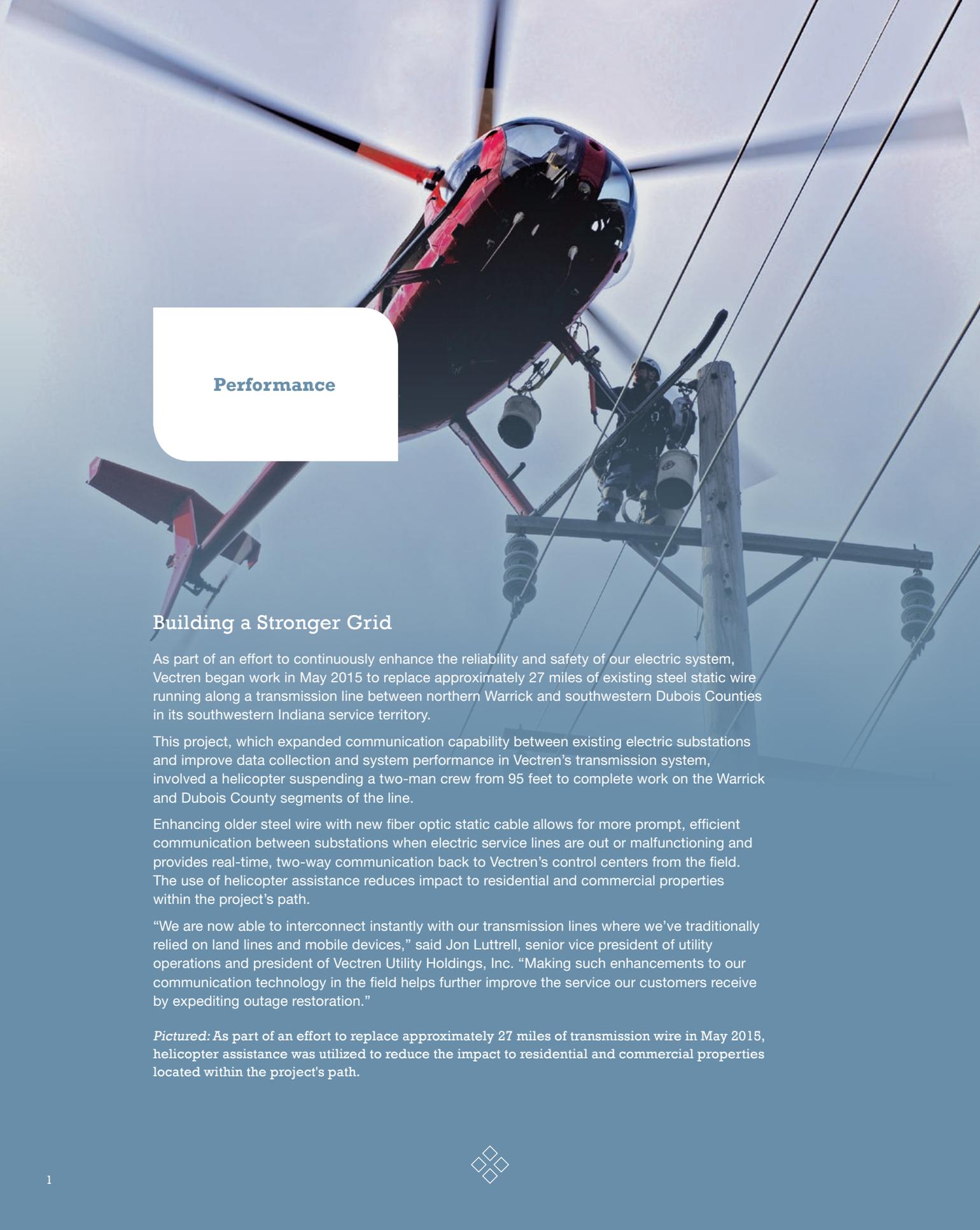
We appreciate your interest in Vectren and invite you to explore this report, which is our second report to contain voluntarily-disclosed information adhering to Global Reporting Initiative (GRI) Guidelines. This year's report is 'In Accordance' with the GRI G4 Guidelines – Core option. As we move forward with new and exciting innovations and tackle the challenges presented by new regulatory and market constraints, we hope you will recognize our efforts to establish sustainability as a cornerstone of our business.

Respectfully,

Carl L. Chapman
Chairman, President & CEO

John D. Engelbrecht
Chair, Corporate Responsibility
and Sustainability Committee of
the Board of Directors

Angila Retherford
Vice President, Environmental Affairs
& Corporate Sustainability



Performance

Building a Stronger Grid

As part of an effort to continuously enhance the reliability and safety of our electric system, Vectren began work in May 2015 to replace approximately 27 miles of existing steel static wire running along a transmission line between northern Warrick and southwestern Dubois Counties in its southwestern Indiana service territory.

This project, which expanded communication capability between existing electric substations and improve data collection and system performance in Vectren's transmission system, involved a helicopter suspending a two-man crew from 95 feet to complete work on the Warrick and Dubois County segments of the line.

Enhancing older steel wire with new fiber optic static cable allows for more prompt, efficient communication between substations when electric service lines are out or malfunctioning and provides real-time, two-way communication back to Vectren's control centers from the field. The use of helicopter assistance reduces impact to residential and commercial properties within the project's path.

"We are now able to interconnect instantly with our transmission lines where we've traditionally relied on land lines and mobile devices," said Jon Luttrell, senior vice president of utility operations and president of Vectren Utility Holdings, Inc. "Making such enhancements to our communication technology in the field helps further improve the service our customers receive by expediting outage restoration."

Pictured: As part of an effort to replace approximately 27 miles of transmission wire in May 2015, helicopter assistance was utilized to reduce the impact to residential and commercial properties located within the project's path.



Continued Financial Growth Expected

Vectren experienced another year of solid earnings growth in 2015. Reported net income was \$197.3 million, or \$2.39 per share. The foundation for this performance, provided by Vectren's utility group, was supplemented with strong performances by our energy services and infrastructure services divisions.

Overall, utility group earnings increased to \$160.9 million, compared to \$148.4 million in 2014, and Nonutility earnings remained strong at \$36.3 million. A particular bright spot was the performance of our energy services division, which achieved record revenues of \$200 million in 2015, a substantial increase from its revenues of \$130 million in 2014.

"Overall, we feel very good about our ability to execute on our goals for 2016 and longer term," said Carl Chapman, Vectren's chairman, president and CEO. "Our utility operation is well positioned to continue to earn its allowed return given the constructive regulatory environment in Indiana and Ohio, as well as our commitment to cost management. The nonutility group is focused on taking advantage of opportunities in the energy infrastructure and services markets. In particular, we expect that the large number of pipeline projects to be built starting later this year and into 2018 should improve the market dynamics in infrastructure services' transmission business."

Confirming our strategy, in early 2016 we affirmed long-term financial and earnings growth targets for our businesses. Related to the near-term, in May 2016 we communicated expectations for 2016 of utility group earnings within a range of \$2.00 and \$2.05 per share and nonutility group earnings within a range of \$0.45 to \$0.50 per share.



Automated Meter Reading (AMR) technology enables us to efficiently obtain actual reads by driving routes, rather than walking the routes, which will increase reads per day and eliminate access issues.

Automated Metering Technology Improves Accuracy

To improve the accuracy of meter reads, Vectren launched an 18-month plan to install Automated Meter Reading (AMR) devices throughout its southeast and central Indiana service territory in 2015. The devices will enable Vectren to efficiently obtain actual reads by driving routes, rather than walking the routes, which will increase reads per day and eliminate issues such as weather and concerns for employee and contractor safety.

AMR uses special devices known as Encoder Receiver Transmitter (ERT) devices, which are installed on natural gas meters in order to securely transmit meter information via radio signals to data collection devices located within specially-equipped vehicles. Powered by a battery with a 20-year plus life span, this technology operates at a low-powered radio frequency far lower than the guidelines established by the Federal Communications Commission (FCC) and has been proven to pose no risk to human health.

The installation effort, which has already reached many Indiana cities and towns, will conclude across our entire service territory by the end of 2017.

"AMR reduces estimated meter reads and is more convenient for customers who have traditionally had to provide access to inside meters or those behind locked gates."

Mike Roeder

President, Vectren Energy Delivery of Indiana-North





Accepting the 2015 Special Achievement in GIS (SAG) award on Vectren's behalf were several project team members including: Sam Hoehn, Aaron Hills, Jack Dangermond (Esri president), Bobby Wilson and Kevin Steele.

Employee Wellness and GIS Initiatives Receive Top Accolades

Vectren's efforts to develop and implement innovative, industry-leading programs were recognized by a number of outside organizations in 2015.

In Fall 2015, the Wellness Council of Indiana announced Vectren received the organization's highest honor—the AchieveWELL Five Star award. Companies that earn this distinction are noted for making employee well-being a priority in the workplace, experiencing sustained growth in their wellness initiatives and embracing it as part of their business strategy.

The key factors in securing the award included the extensive programs and wellness offerings of Energize Vectren, our employee wellness program, and sustained support from senior leadership. This is the latest of many accolades Energize Vectren has received since its inception.

On the operational side, Vectren received the Special Achievement in GIS (SAG) award at the Esri User Conference in San Diego, California. The SAG award highlights users who have shown vision, leadership, hard work and innovation in their use of Esri's geographic information system (GIS) technology.

Nominations for the SAG award are submitted from thousands of organizations worldwide, with Esri serving 350,000 customers worldwide and more than 2,000 utilities. Vectren was one of only three utilities to receive the award. The scope of Vectren's GIS deployment was noted as well as the difficulty in tackling a mobile map deployment.

Establishing a Framework for Safety Management

In 2015, Vectren implemented a framework for operators to manage its pipeline safety programs and to ensure proper measures are being taken to address the risks within its pipeline systems. This framework, more commonly known as a safety management system (SMS), will allow Vectren to be more aligned with future regulation, and will help ensure the long-term safety of its workforce, operations and the public.

"The development of a SMS speaks to both our commitment to continuous improvement and our relentless pursuit of the safety of our workforce, assets and the public," said Nancy Conder, manager of quality assurance. "We are identifying concerns and risks, then empowering our workforce to take action."

In addition to developing processes for performing risk assessments, Vectren colleagues created a structured plan for reporting, managing and mitigating risks and other threats to the company, such as those related to its assets (including corrosion or third party damage), business processes, training of personnel and the loss of knowledge and experience. Through these mechanisms, proper controls and proactive measures can be identified and supported.

"We are identifying concerns and risks, then empowering our workforce to take action."

Nancy Conder
Manager, Quality Assurance





Vectren's infrastructure services division is now known as MVerge, a transition which will allow the company to offer turnkey solutions and create opportunity for a stronger, unified brand.

New Holding Company Leverages Strengths and Market Presence of Infrastructure Services Division

When Vectren's infrastructure services division acquired Minnesota Limited in 2011, both entities were well-known leaders in the pipeline industry. Since the acquisition, the opportunity to work together to offer turnkey solutions has escalated, creating the conditions for a stronger, unified brand, now known as MVerge.

Together as MVerge, Vectren's infrastructure services division, going to market is more cost effective, easier to integrate and execute. Today, the market has started to gravitate toward fewer contractors who can do an entire project. MVerge allows both companies to collectively focus on the core purpose of "Building Infrastructure; Building Relationships."

We have not only unified our external branding, but our internal cultures, philosophies, goals and objectives as well. Vectren's core values illustrate this unity as we focus on safety, quality, reputation and commitment in building a strong team.

Throughout the next few years, we will work to transition external branding elements such as logos and color schemes while continuing to build a united infrastructure and stronger relationships, together as MVerge.





Responsibility

Getting Creative with Recycling & Repurposing

Finding new ways to incorporate recycling into daily operations is a common-sense way of ensuring sustainability, which remains a core value of our business. Whether it's in the office, a field location or power plant, we strive to find new and unique ways to reduce our impact on local environments.

All of Vectren contributes to recycling efforts, and we've implemented numerous recycling and reuse programs at nearly all of our facilities and locations in the past two years. In 2015 alone, these initiatives resulted in more than 576,000 tons of recycled waste.

In addition to our office recycling program, which includes paper, plastic, aluminum and cardboard, we continue to engage in mutually-beneficial partnerships to reuse the byproducts created in our energy production and delivery processes. Fly ash is reused as an ingredient to produce cement; gypsum is reused to create wallboard; and plastic pipeline is utilized in the production of automotive parts and weed eater spools.

After being collected from Vectren facilities around our service area, discarded wood pallets and reels are transported to the Elberfeld, Indiana, location of local wood processing company Smith Creek, Inc. The items are ground into different sizes for use in a variety of products including animal bedding, mulch and fuel pellets.

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Pictured: Wood grain generated by Vectren's pallet recycling program is used as animal bedding at Gil-Mar Farms near Lynnville, Indiana.





Discarded wood pallets and reels are collected from Vectren facilities and transported to a Smith Creek, Inc., facility in Elberfeld, Indiana, for processing and eventual repurposing.

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The resulting wood grain is then transported to customers like the Southworth family of Gil-Mar Farms near Lynnville, Indiana, who utilize the mulch as animal bedding for approximately 530 cattle. The mixture of wood grain and cow waste creates enough heat to warm the barn in colder months and is later spread on fields in place of manufactured fertilizer.



In 2015, approximately 62 tons of Vectren's discarded wood pallets and reels were processed and repurposed at Smith Creek's Elberfeld operation. Since implementing our recycling initiative in 2012, we've recycled nearly 90 tons of pallets and reels.

"We've worked hard to provide sustainable business solutions to the region," said Jay Engle, procurement manager at Smith Creek, Inc. "Support from partners like Vectren helps to ensure environmental responsibility continues to develop as a primary driver of the local business environment."

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Jay Engle
Procurement Manager, Smith Creek, Inc.

Leading the Industry in Developing Solutions to Combat Methane

In March 2016, Vectren committed to serve as a founding partner in the Environmental Protection Agency's (EPA) Natural Gas STAR Methane Challenge Program. The voluntary program provides a new mechanism through which oil and natural gas companies can make and track commitments to reduce methane emissions. The program will provide a platform for partners to demonstrate their efforts to reduce methane emissions, which is important in reducing overall greenhouse gas output.

The EPA identified best measurement practices from which a company could choose to voluntarily participate. Vectren has committed to the employment of best measurement practices with respect to cast iron and unprotected steel main replacements, cast iron and unprotected steel service replacements and excavation damages.

As an example, Vectren will commit to replacing cast iron and unprotected steel natural gas mains at a rate of at least 5 percent, or roughly 42 miles, per year. Since 2008, we have replaced nearly 700 miles of these mains with new modern plastic pipeline throughout our 74-county natural gas service area in Indiana and west central Ohio.

Vectren is one of 40 gas utilities in the nation, which represent nearly 70% of the natural gas customers in the United States, that have signed on to be a founding partner in the Methane Challenge initiative.





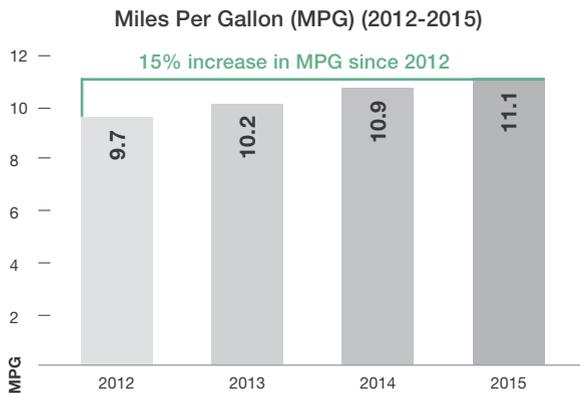
More than 280 vehicles have been upgraded or replaced since 2013 as part of an effort to modernize Vectren's fleet of vehicles. As a result, average fuel economy has improved by nearly 5 percent each year.

Utility Operations Vehicle Fleet Sees Ongoing Fuel Economy Improvements

Since 2013, Vectren's initiative to maintain and modernize our fleet of utility operations vehicles has led to consistent increases in fuel economy every year.

During this transitional initiative, which has resulted in the upgrade or replacement of more than 280 vehicles to date, the primary focus has been to ensure the right size vehicle is purchased for the job. With this in mind, service technician vehicles were replaced with smaller vans, and older trucks with low miles per gallon (MPG) ratings were replaced with newer, more efficient sport utility vehicles with higher MPG ratings.

Combined, the 3-year average for fuel economy has improved by nearly 5 percent. The chart below illustrates these continuous improvements.



Helping Ohio Organizations "Go Green"

In 2015, Vectren supported Dayton Regional Green's *Bring Your Green Challenge*, a year-long competition among businesses, nonprofits and government agencies in the Miami Valley to reduce their environmental impact and conserve energy and resources while engaging their employees. More than 100 organizations with 192 locations participated.

The highly interactive program encouraged players to assess their practices and engage their employees to foster a culture of sustainability. Online tools, training, workshops, best practices and technical assistance is provided along the way.

"One of Vectren's core values stands on the commitment of our contribution to the social, economic and environmental sustainability of the communities we serve," said Colleen Ryan, president of Vectren Energy Delivery of Ohio. "The *Bring Your Green Challenge* naturally aligns with this pledge and Vectren is proud to provide grant monies that support transitioning green ideas into green realities."

Four of Vectren's Ohio facilities were designated Certified Green Businesses by Dayton Regional Green. The certification denotes these facilities have shown exemplary environmental leadership. By the end of 2015, the program had certified more than 320 businesses as Green Businesses.





Wholly owned Vectren subsidiary Energy Systems Group (ESG) began construction of a combined heat and power (CHP) plant at the Lyndon B. Johnson Space Center (JSC) in March 2016. *Photo of Rocket Park at night, shown above, courtesy of NASA and Johnson Space Center.*

ESG Starts Construction on Mission-Critical Energy Islanding Project at NASA Facility

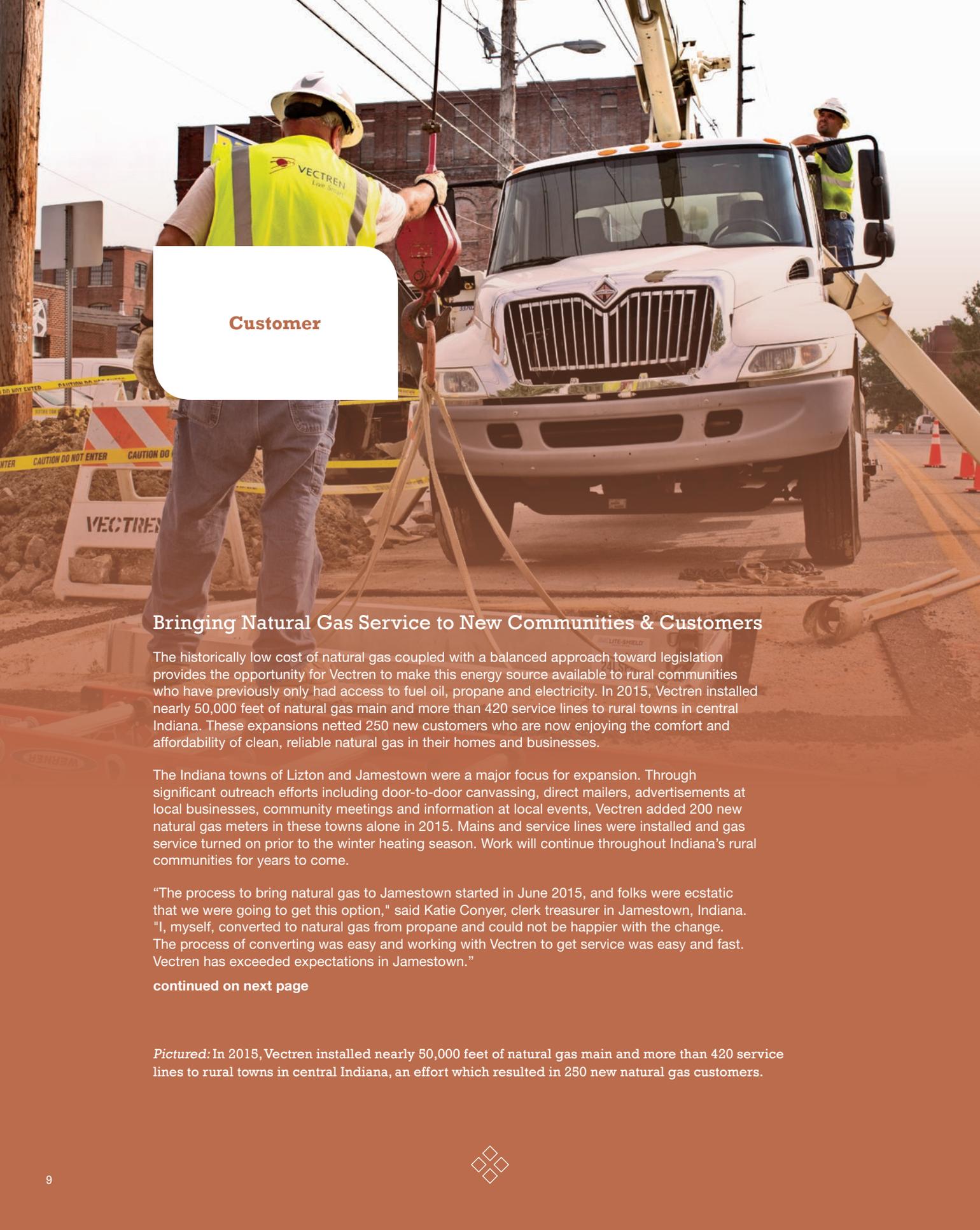
After its selection by the National Aeronautics and Space Administration (NASA) in August, wholly owned Vectren subsidiary Energy Systems Group (ESG) began construction of a combined heat and power (CHP) plant at the Lyndon B. Johnson Space Center (JSC) in March 2016.

The CHP facility, which will generate electricity and useful heat at the same time, will help JSC meet nearly 70% of its electric requirements, 100% of its steam requirements and roughly half of its chilled water requirements. Capable of operating as an islanded microgrid, it will provide energy for critical mission operations such as International Space Station (ISS) Mission Control and the Orion program in the event of a utility power disruption. The new CHP system, the first ever for NASA, will allow JSC to adapt to new programs and requirements over time.

“ESG is proud to support NASA in the development and construction of this mission-critical energy islanding project,” said Greg Collins, ESG President. “This highly efficient CHP plant will reduce greenhouse gases by approximately 20,000 metric tons of carbon dioxide annually,” added Collins. “That is equivalent to keeping about 4,100 passenger vehicles off the road each year.”

Coupled with chilled water plant improvements, the CHP plant will save approximately \$141 million during its 22-year operating term. The facility will produce 11.9 megawatts of electricity via two 5.7 megawatt combustion turbines and one 500 kilowatt steam turbine. Using waste heat from the combustion turbines, two heat recovery steam generators will produce 50,000 pounds per hour of high pressure steam. The steam will be simultaneously used for heating and to generate chilled water via existing steam turbine-driven chillers. Using the waste heat generated by the NASA JSC CHP plant for both cooling and heating allows for overall tri-generation thermal efficiencies in excess of 85 percent. Recommissioning of the chilled water system will result in still more efficiencies. ESG will provide operations and maintenance, repair and replacement and savings guarantees for the term of the contract.





Customer

Bringing Natural Gas Service to New Communities & Customers

The historically low cost of natural gas coupled with a balanced approach toward legislation provides the opportunity for Vectren to make this energy source available to rural communities who have previously only had access to fuel oil, propane and electricity. In 2015, Vectren installed nearly 50,000 feet of natural gas main and more than 420 service lines to rural towns in central Indiana. These expansions netted 250 new customers who are now enjoying the comfort and affordability of clean, reliable natural gas in their homes and businesses.

The Indiana towns of Lizton and Jamestown were a major focus for expansion. Through significant outreach efforts including door-to-door canvassing, direct mailers, advertisements at local businesses, community meetings and information at local events, Vectren added 200 new natural gas meters in these towns alone in 2015. Mains and service lines were installed and gas service turned on prior to the winter heating season. Work will continue throughout Indiana's rural communities for years to come.

"The process to bring natural gas to Jamestown started in June 2015, and folks were ecstatic that we were going to get this option," said Katie Conyer, clerk treasurer in Jamestown, Indiana. "I, myself, converted to natural gas from propane and could not be happier with the change. The process of converting was easy and working with Vectren to get service was easy and fast. Vectren has exceeded expectations in Jamestown."

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Pictured: In 2015, Vectren installed nearly 50,000 feet of natural gas main and more than 420 service lines to rural towns in central Indiana, an effort which resulted in 250 new natural gas customers.



“Efficiency programs play a vital role in the energy needs of our customers, and Vectren is committed to continuing to promote and drive participation in our 2016 programs and beyond.”

Chase Kelley

Vice President, Marketing and Communications



Evansville Day School, an independent school in Evansville, Indiana, retrofitted more than 680 lighting fixtures with energy-efficient bulbs throughout its facilities as part of Vectren's energy efficiency programs for small and mid-size businesses and organizations.

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Our natural gas expansion efforts have also attracted many business and industrial customers.

Tate and Lyle, a manufacturer of specialty food ingredients and bulk ingredients, is investing more than \$90 million over the next three years to expand and modernize two starch and corn sweetener plants in Lafayette, Indiana.

The investment, which involves transitioning the facilities from coal to natural gas in order to increase capacity and improve efficiency, will allow Tate and Lyle to grow in concert with demand for its products.

In addition to helping the company convert a coal-fired boiler to natural gas, Vectren installed a dedicated service line to accommodate the pressure demands of the new, energy efficient boiler without interruption to Tate and Lyle's operations.

The work is expected to be completed in 2017 and will add approximately 10 jobs. Tate and Lyle currently employs more than 500 workers at its Indiana facilities.

Energy Efficiency Programs Experience a Record Year

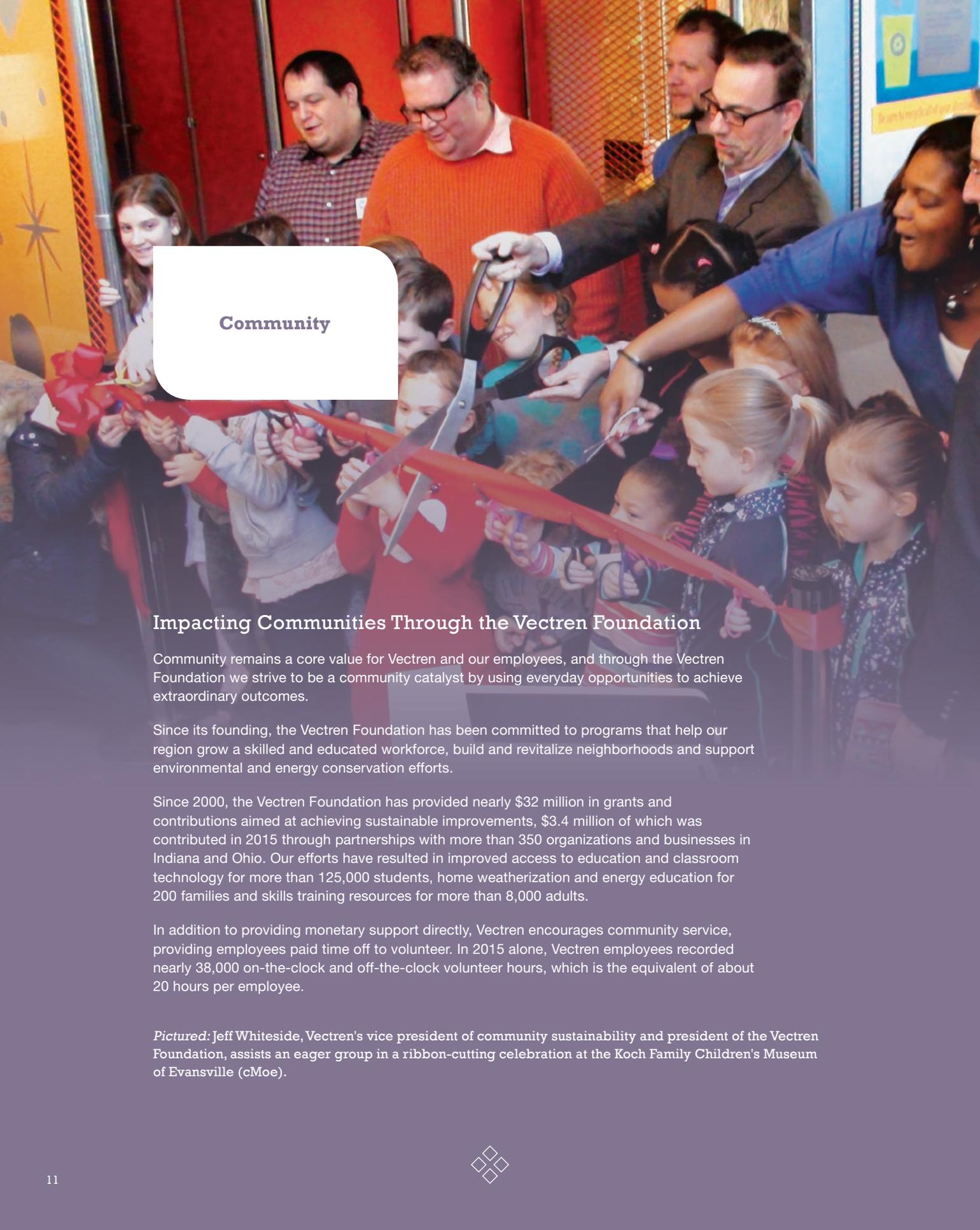
Since their implementation in 2006, Vectren's energy efficiency programs have helped curb energy costs for homeowners, renters, small businesses and organizations across Indiana and Ohio.

Thanks to our growing suite of programs, including rebates on high-efficiency appliances, weatherization services and customized energy savings opportunities, we set new records for energy savings in 2015. Our natural gas energy efficiency programs helped customers conserve nearly 5 million therms in 2015, which is enough natural gas to heat more than 6,000 homes for a year. Electric energy efficiency programs helped conserve 40 million kilowatt hours in 2015, which is enough to power more than 3,000 homes for a year.

The record results were largely driven by rebates for high-efficiency furnaces, air conditioners and Wi-Fi thermostats, along with participation in our programs for small and mid-size businesses.

“Efficiency programs play a vital role in the energy needs of our customers, and Vectren is committed to continuing to promote and drive participation in our 2016 programs and beyond,” said Chase Kelley, vice president of marketing and communications. “Energy efficient products and services deliver substantial savings over their operating life, and our programs help customers use energy wisely.”





Community

Impacting Communities Through the Vectren Foundation

Community remains a core value for Vectren and our employees, and through the Vectren Foundation we strive to be a community catalyst by using everyday opportunities to achieve extraordinary outcomes.

Since its founding, the Vectren Foundation has been committed to programs that help our region grow a skilled and educated workforce, build and revitalize neighborhoods and support environmental and energy conservation efforts.

Since 2000, the Vectren Foundation has provided nearly \$32 million in grants and contributions aimed at achieving sustainable improvements, \$3.4 million of which was contributed in 2015 through partnerships with more than 350 organizations and businesses in Indiana and Ohio. Our efforts have resulted in improved access to education and classroom technology for more than 125,000 students, home weatherization and energy education for 200 families and skills training resources for more than 8,000 adults.

In addition to providing monetary support directly, Vectren encourages community service, providing employees paid time off to volunteer. In 2015 alone, Vectren employees recorded nearly 38,000 on-the-clock and off-the-clock volunteer hours, which is the equivalent of about 20 hours per employee.

Pictured: Jeff Whiteside, Vectren's vice president of community sustainability and president of the Vectren Foundation, assists an eager group in a ribbon-cutting celebration at the Koch Family Children's Museum of Evansville (cMoe).





Dream Big Summer Camp participants receive a hands-on demonstration of electric safety from Vectren operations supervisor Josh Springer.

“[*Dream Big Summer Camp* participants] were able to receive a first-hand account of several career options available at Vectren and in the energy industry.”

Lori Sutton

Vectren Manager of Diversity and Inclusion and Creator of *Dream Big Summer Camp*

Summer Camp Helps Students Discover New Career Possibilities

In summer 2015, Vectren hosted *Dream Big Summer Camp*, a three-day session designed to introduce local high school students to the range of occupations available in the energy industry such as information technology, accounting, engineering and technical fields.

Twenty-three students representing 10 local high schools participated in presentations from various departments within the company, visited Evansville-area facilities and power plants, job shadowed Vectren employees and worked in teams on energy efficiency projects.

In addition to developing interpersonal, problem solving and leadership skills, the students strengthened team building and presentation capabilities. All *Dream Big Summer Camp* attendees were also invited to participate in Vectren’s *Dream Big Career Mentoring Program*, a similar program which offers additional career-focused activities.

“Through talking with Vectren employees and participating in various activities, the participants were able to receive a first-hand account of the career options available at Vectren and in the energy industry,” said Lori Sutton, manager of diversity and inclusion and creator of *Dream Big Summer Camp*.

Due to its success, plans are being developed to expand the program to additional students throughout Vectren’s Indiana and Ohio service territory in the coming years.

Revitalizing Neighborhoods

Neighborhood revitalization is an effort that requires a multitude of resources, skills and perseverance. In partnership with Habitat for Humanity, Ball State University and Muncie Mission, the Vectren Foundation targeted an area encompassing portions of the Thomas Park/Avondale and South Central neighborhoods located near the south side of Muncie, Indiana, as part of this effort.

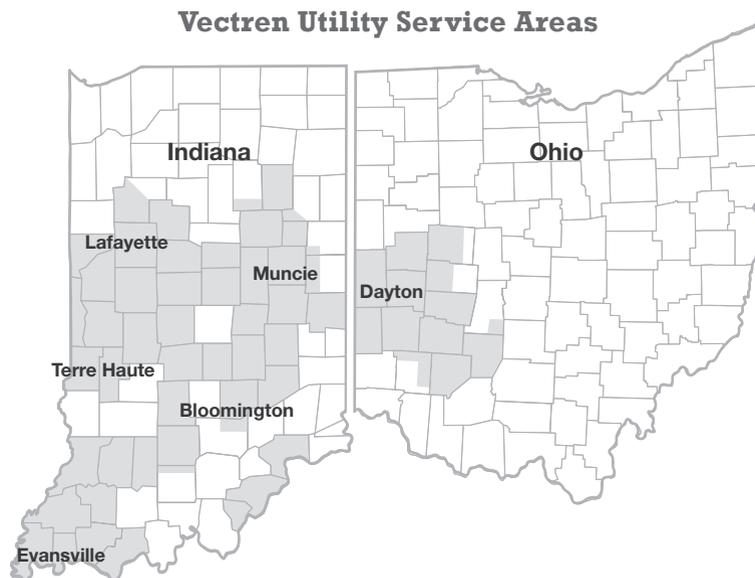
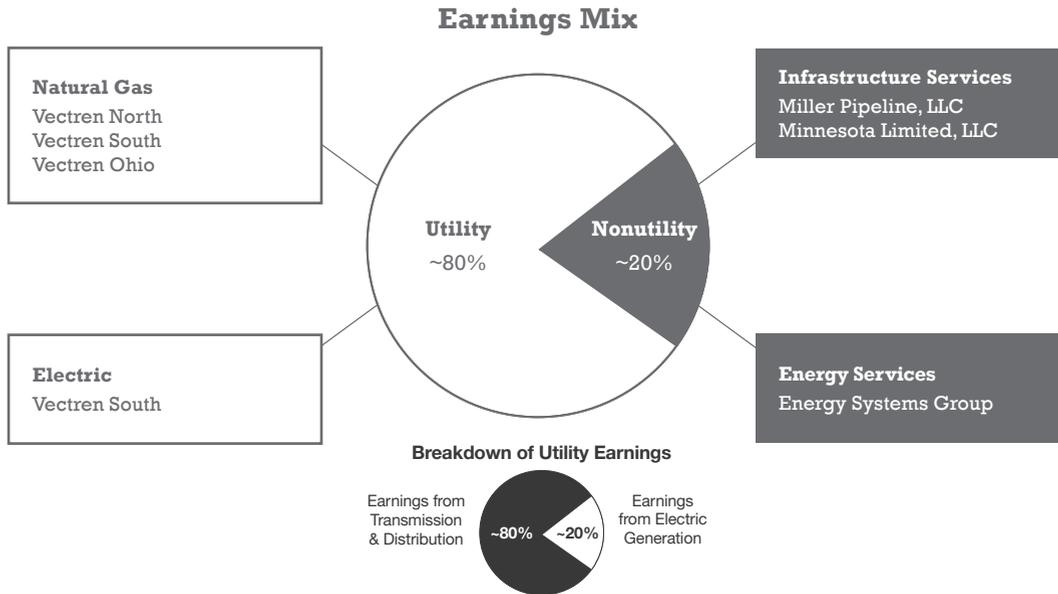
The area, most commonly known for the site of an abandoned auto parts plant, has struggled for several years due to major job losses, blight and population decline. In concert with local residents, an action plan focusing on the strengths of the neighborhood was developed with key areas of opportunity being business development and employment, beautification, housing and services.

In addition to its work in Muncie, the Foundation collaborated on similar projects in the communities of Anderson, Indiana, Dayton, Ohio, Evansville, Indiana, Lafayette, Indiana, Marion, Indiana, and Terre Haute, Indiana, in 2015.



About Vectren

Vectren Corporation is an energy holding company headquartered in Evansville, Indiana. Our energy delivery subsidiaries provide gas and/or electricity to more than one million customers in adjoining service territories that cover nearly two-thirds of Indiana and about 20 percent of Ohio, primarily in the west-central area. Our nonutility subsidiaries and affiliates currently offer energy-related products and services to customers throughout the U.S. These include infrastructure services and energy services.





Access the complete version of this report at
vectren.com/sustainability.

The complete 2015 Vectren Corporation Sustainability Report is 'In Accordance' with the Global Reporting Initiative (GRI) G4 Guidelines – Core option. GRI is a voluntary effort aimed at increasing transparency among businesses and organizations worldwide.

Visit **vectren.com/sustainability** to access the complete report.

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