

# 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](http://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

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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](http://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

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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.

## Annual Committee Charter Review and Performance Evaluation

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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

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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.