

VECTREN CORP  
Form DEF 14A  
March 23, 2015

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
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**VECTREN CORPORATION**

(Name of Registrant as Specified In Its Charter)

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- (3) Filing Party:
- (4) Date Filed:

VECTREN CORPORATION  
One Vectren Square  
211 N.W. Riverside Drive  
Evansville, Indiana 47708-1251

## Notice of 2015 Annual Meeting of Shareholders

**TO BE HELD MAY 12, 2015**

### To Shareholders of Vectren Corporation:

You are invited to attend our 2015 annual meeting of shareholders on Tuesday, May 12, 2015, 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. The election of all directors;
2. To approve a non-binding advisory resolution approving the compensation of our Named Executive Officers ( NEOs );
3. The ratification of the reappointment of Deloitte & Touche LLP ( Deloitte ) as the independent registered public accounting firm for Vectren Corporation and its subsidiaries for 2015; and
4. The consideration of 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 13, 2015 are entitled to vote at the meeting and at any postponement or adjournment of the meeting. Pursuant to the rules of the Securities and Exchange Commission ( SEC ), we have elected to deliver our proxy materials to many of our shareholders over the Internet. On March 23, 2015, we mailed to these shareholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy statement and 2014 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](http://www.proxypush.com/vvc), or

You may also vote in person at the annual meeting.

If your shares are held by your bank, broker or nominee, please review the voting options provided 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 own 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 23, 2015

## Location of May 12, 2015 Annual Shareholders Meeting

**Vectren Corporation**

**One Vectren Square, 211 N.W. Riverside Drive**

**Evansville, IN 47708-1251**

Parking for shareholders will be provided in the parking lot of Vectren Corporation at 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 2015**

**Annual Meeting of Shareholders to be Held on**

**May 12, 2015**

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

Our proxy statement for the 2015 annual meeting of shareholders and our annual report on Form 10-K for the year ended December 31, 2014 are available at [www.vectren.com](http://www.vectren.com).

## Table of Contents

<b>INTRODUCTION</b>	<b>1</b>
Proxy Statement	1
Purposes of Meeting	1
Voting Securities	1
Solicitations of Proxies	2
Cost and Method of Solicitation	2
Annual Report	2
Revocation Rights	2
Communications to Directors	2
Access to Information	3
<b>ITEM 1. ELECTION OF DIRECTORS</b>	<b>4</b>
Election Process	4
Nominee Biographies	5
Retiring Director's Biography	8
<b>NAMED EXECUTIVE OFFICERS</b>	<b>9</b>
<b>OWNERSHIP OF VECTREN STOCK</b>	<b>10</b>
Common Stock Ownership by Directors and Executive Officers	10
Securities Owned by Certain Beneficial Owners	11
Section 16(a) Beneficial Ownership Reporting Compliance	11
<b>CORPORATE GOVERNANCE AND MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS</b>	<b>11</b>
Related Person Transactions	11
Director Independence	12
Nomination of Directors by Shareholders	12
Board Leadership Structure	13
Board's Role in Risk Oversight	13
Board Meetings	14
Director Compensation	15
<b>REPORT OF THE NOMINATING AND CORPORATE GOVERNANCE COMMITTEE</b>	<b>17</b>
Scope of Responsibilities	17
2014 Accomplishments	17
Share Ownership Policy for Non-Employee Directors	20
Annual Committee Charter Review and Performance Evaluation	21
Director Independence Standards	21
Selection and Evaluation of Director Candidates	22
Commitment	22
<b>REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE</b>	<b>23</b>
Scope of Responsibilities	23
2014 Accomplishments	23
Corporate Code of Conduct	24
Risk Management	24

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Sarbanes-Oxley Section 404 Compliance	24
Independent Registered Public Accounting Firm Activities	24
Reappointment of Deloitte	25
Delineation of Responsibilities Between Management, the Independent Registered Public Accounting Firm, and the Audit Committee	25
2014 Form 10-K	25
Annual Committee Charter Review and Performance Evaluation	26
Commitment	26
<b>REPORT OF THE COMPENSATION AND BENEFITS COMMITTEE</b>	<b>27</b>
Role of Board Chair, President and Chief Executive Officer in the Compensation Process	27
Share Ownership Policy for Officers	28
Compensation Consultant	28

Recoupment or Clawback Policy	29
Oversight of Company Benefit Plans	29
Company's Human Resources Advisory Committee	29
Regulatory Updates and Governance Practices	30
Deductibility of Executive Compensation	30
Annual Committee Charter Review and Performance Evaluation	30
Compensation and Benefits Committee Report	30
Commitment	30
<b>REPORT OF THE FINANCE COMMITTEE</b>	<b>31</b>
Scope of Responsibilities	31
2014 Accomplishments	31
Annual Committee Charter Review and Performance Evaluation	32
Commitment	32
<b>REPORT OF THE CORPORATE RESPONSIBILITY AND SUSTAINABILITY COMMITTEE</b>	<b>33</b>
Scope of Responsibilities	33
2014 Accomplishments	33
Annual Committee Charter Review and Performance Evaluation	34
Commitment	34
<b>COMPENSATION DISCUSSION AND ANALYSIS</b>	<b>35</b>
Forward-Looking Statements	35
Executive Summary	35
Objectives of Vectren's Compensation Programs	37
Executive Compensation Strategy and Process	37
Material Differences in Compensation Policies for Individual Executive Officers	38
Monitoring of the Company's Pay Practices	38
Shareholder Say-on-Pay Votes	39
Compensation Consultant	39
Role of Management in the Compensation Process	40
Elements of Vectren's Compensation	40
<b>EXECUTIVE COMPENSATION TABLES AND DISCLOSURES</b>	<b>48</b>
Realized Compensation	48
2014 Summary Compensation Table	48
2014 Grants of Plan-Based Awards Table	50
2014 Option Exercises and Stock Vested Table	52
2014 Outstanding Equity Awards at Fiscal Year-End Table	52
Retirement Benefit Plans	53
Nonqualified Deferred Compensation	56
Potential Payments Upon Termination or Change in Control	57
<b>COMPENSATION RISK ASSESSMENT</b>	<b>62</b>
<b>ITEM 2. NON-BINDING PROPOSAL TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS</b>	<b>62</b>
<b>ITEM 3. RATIFICATION OF REAPPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</b>	<b>63</b>
<b>INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM OF THE COMPANY</b>	<b>64</b>

<b>SHAREHOLDER PROPOSALS FOR 2016 ANNUAL MEETING</b>	<b>65</b>
<b>APPENDIX A DIRECTOR QUALIFICATIONS</b>	<b>66</b>
<b>APPENDIX B QUALIFICATIONS FOR CONTINUED SERVICE, RETIREMENT.</b>	<b>67</b>
<b>APPENDIX C GAAP TO NON-GAAP RECONCILIATIONS.</b>	<b>68</b>



## 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 our corporate office located at One Vectren Square, 211 N.W. Riverside Drive, Evansville, Indiana, on Tuesday, May 12, 2015, 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 furnish proxy materials to shareholders over the Internet, we have elected to deliver our proxy materials to many of our shareholders in that manner. This delivery process will allow us to provide these shareholders with the information they need, while at the same time conserving natural resources and lowering the cost of delivery. On March 23, 2015, we mailed to these shareholders a Notice of Internet Availability of Proxy Materials ( Notice ) containing instructions on how to access our proxy statement and 2014 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 23, 2015, 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 us to deliver a single notice of annual meeting materials to one address shared by two or more of our shareholders. This delivery method is referred to as householding and conserves natural resources and can result in significant cost savings. To take advantage of this opportunity we have delivered only a single notice or set of annual meeting materials to any shareholder at the shared address to which a single copy of these documents was delivered. If you prefer to receive separate copies of the notice or annual meeting materials, contact Vectren Corporation Shareholder Services Department by telephone at (800) 227-8625 or by e-mail at [vvcir@vectren.com](mailto:vvcir@vectren.com) and we will promptly deliver the copies 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 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 2015 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 our NEOs, and (3) the ratification of the reappointment of Deloitte as the independent registered public accounting firm for the Company for 2015. 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 13, 2015, we had one class of capital stock outstanding, consisting of 82,624,813 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 of the shareholders 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 thereof or in nominee or street name) will not be voted. Only shareholders of record at the close of business on March 13, 2015 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 our 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 the 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 for 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 \$9,500 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, and it is estimated that the cost of such additional solicitation, if any, will not exceed \$5,000, and will be borne by the Company. The Company expects to reimburse banks, brokerage houses and other custodians of stock for their reasonable charges and expenses in forwarding proxy materials to beneficial owners.

## Annual Report

A copy of the Company's combined annual report and Form 10-K for the year ended December 31, 2014 was mailed to certain of our shareholders on or about March 23, 2015. The Company's consolidated financial statements, including footnotes, are included in the Form 10-K and posted at [www.vectren.com](http://www.vectren.com). You may request a copy of our 2014 annual report, which includes our 2014 Form 10-K from:

**Mailing Address:**

Vectren Shareholder Services  
One Vectren Square  
Evansville, Indiana 47708

**Phone Number:**

1-800-227-8625

**Investor Relations Contact:**

Robert L. Goocher  
Treasurer and Vice President,  
Investor Relations  
[vvcir@vectren.com](mailto:vvcir@vectren.com)

Alternatively, you can access the 2014 annual report, which includes the 2014 Form 10-K, on our website at [www.vectren.com](http://www.vectren.com).

## 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

Our Corporate Governance Guidelines provide that the independent members of the Board elect from the non-management directors a Lead Director whose primary responsibilities, including serving as chair of executive sessions of the non-employee and independent directors, are set forth in the Corporate Governance Guidelines. The guidelines are posted on our website at [www.vectren.com](http://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 J. Timothy McGinley.

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 our website at [www.vectren.com](http://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 Mr. Carl L. Chapman, our one director who is also a member of management, by writing to the address below and directing the communication to Mr. Carl L. Chapman, president and chief executive officer ( CEO ).

Vectren Corporation  
One Vectren Square  
Evansville, IN 47708

### Access to Information

We make available copies of our 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), our Corporate Governance Guidelines and all committee charters free of charge through our website at [www.vectren.com](http://www.vectren.com), or by request, directed to Vectren Corporation Shareholder Services at the mailing address, phone number or email address that follow:

**Mailing Address:**  
Vectren Shareholder Services  
One Vectren Square  
Evansville, Indiana 47708

**Phone Number:**  
1-800-227-8625

**Investor Relations Contact:**  
Robert L. Goocher  
Treasurer and Vice President,  
Investor Relations  
[vvclr@vectren.com](mailto:vvclr@vectren.com)

## Item 1. Election of Directors

### Election Process

Our Board currently consists of one class of 12 directors. Niel C. Ellerbrook will not be standing for reelection at this year's annual meeting, and the Board will thereafter consist of 11 directors. The Board recommends that the nominees listed below, 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 enclosed proxy will be voted by the proxy holders in favor of the election of the nominees named below 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.

The Board has adopted a policy providing 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, we will disclose that decision (and provide a full explanation of the process by which the decision was reached) in a Form 8-K filed with the SEC.

If the Board decides to accept 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 withhold vote at the same election, then the independent directors who did not receive a majority withhold 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.

## 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 13, 2015.

**CARL L. CHAPMAN**, age 59, was elected as Board chair effective May 11, 2011. He has been a director of the Company since 2009 and has served as chief executive officer and president 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. From March 31, 2000 until August 2004, Mr. Chapman also served as president of Vectren Enterprises, Inc. ( Vectren Enterprises ). Prior to March 31, 2000 and since 1999, Mr. Chapman served as executive vice president and chief financial officer of Indiana Energy, Inc., a predecessor of the Company ( Indiana Energy ). Mr. Chapman has been a director of Indiana Gas Company, Inc. ( Indiana Gas ), Southern Indiana Gas and Electric Company ( SIGECO ), and Vectren Utility Holdings, Inc. ( VUHI ) since 2004 and Vectren Energy Delivery of Ohio, Inc. ( VEDO ) since 2005. Mr. Chapman is the Board chair of Vectren Infrastructure Services Corporation ( VISCO ) and Vectren Energy Services Corporation ( VESCO ).

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, have afforded him intimate knowledge of our operations and businesses. His service on the Board enables him to continue to interact directly with the other members of the Board as they approve strategic decisions regarding our businesses and their future direction.

**JAMES H. DEGRAFFENREIDT, JR.**, age 61, 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 lead director of Massachusetts Mutual Life Insurance Company and a director of Maryland State Board of Education. He is also a director of Harbor Bankshares Corporation, which is a public company.

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 Audit Committee and the Board's Governance Committee.

**JOHN D. ENGELBRECHT**, age 63, 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, a digital media agency, and a private equity firm.

Mr. Engelbrecht, as the chair and president of South Central Communications, brings to our Board strong managerial and marketing experience as the owner and operator of a communications business in one of the service territories of our utility business. 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 to the Company that is a valuable part of 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 55, has been a director of the Company since 2000. Mr. George is the principal of Vision Investments, LLC. He is a director 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.

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 to the Company that is a valuable part of 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 ( Compensation Committee ) and the Board's Governance Committee.

**MARTIN C. JISCHKE**, age 73, has been a director of the Company since 2007. Dr. Jischke is the president emeritus of Purdue University, an institution of higher education. He is a director of Duke Realty Corporation and chairman of the board of Wabash National Corporation, both of which are public companies.

Dr. Jischke has served in leadership positions, including president, of four major research universities, served as a director of a number of publicly-traded corporations and brings to the Board a background of science, engineering and research, as well as experience in public company governance. As the president emeritus of Purdue University, Dr. Jischke is a highly respected thought and opinion leader, particularly in Indiana. He resides in the service area of the Company's natural gas utility business and has a strong sense of stakeholder issues affecting that business and the Company generally. His insights on business and community issues, with a particular focus on Indiana, are of great value to the Board as it discharges its responsibilities. Dr. Jischke's background and experiences have provided expertise to the Board's Corporate Responsibility and Sustainability Committee and the Board's Compensation Committee.

**ROBERT G. JONES**, age 58, has been a director of the Company since 2011. Mr. Jones is the president and chief executive officer and a member of the board of directors of Old National Bancorp, which is a public company. He previously served as a director of the Federal Reserve Bank of St. Louis.

Mr. Jones, as the president 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 growing 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 a valued member of the Board's Finance Committee and the Board's Corporate Responsibility and Sustainability Committee.

**J. TIMOTHY MCGINLEY**, age 74, has been a director of the Company since 2000. Mr. McGinley serves as Lead Director and is also chair of the Governance Committee. Mr. McGinley is the principal and founder of House Investments, Inc., a real estate investment company. He is chairman emeritus of the Board of Trustees of Purdue University after serving 20 years as a trustee and 16 years as the Board chair. He was previously a director of Waterfield LLC and Bindley Western Corporation. He is also a member of the central Indiana Corporate Partnership.

Mr. McGinley provides the Board with valuable financial experience and business acumen. Mr. McGinley has decades of experience in Indiana dealing with key thought and opinion leaders. Based in central Indiana, which is in the heart of the Company's natural gas utility business, he is highly respected throughout Indiana, and he brings insights from his experiences that are of great value to the Board. The Board has utilized Mr. McGinley's talents as Lead Director, chair of the Board's Governance Committee and as a member of the Board's Finance Committee.

**PATRICK K. MULLEN**, age 50, has been a director of the Company since 2014. Mr. Mullen is currently executive vice president for Chicago Bridge & Iron (CB&I), a public company, and is president of CB&I's engineering, construction, and maintenance operation group. He has served in this capacity since December 2013. During the majority of 2013, he served as executive vice president of corporate development. Mr. Mullen joined CB&I through CB&I's 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 from that time until early 2013.

CB&I, which has been in business for 125 years and employs approximately 55,000 individuals, is the most complete energy infrastructure focused company in the world and a major provider of government services. Mr. Mullen is responsible for CB&I's largest operating group, managing a wide range of projects and service offerings that span upstream and downstream oil and gas facilities, refineries, petrochemical plants, and both fossil and nuclear power generation facilities. Prior to his current role, 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 began his career as a development engineer at UOP LLC, where he progressed through various management roles over 12 years. He joined ABB Lummus Global in 1998, where he served as head of Lummus petrochemical technology group until CB&I's acquisition of ABB Lummus Global in 2007. 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.

Mr. Mullen's significant management and construction expertise are very important as the Company continues to replace and modernize its gas utility infrastructure, as well as expand its construction activities through its nonutility business subsidiaries VISCO and VESCO. Mr. Mullen will be assigned to committees of the Board in May 2015, when such action is routinely taken.

**R. DANIEL SADLIER**, age 67, 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, chairman of the board of trustees of Premier Health and a trustee 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 longstanding 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 both the Board's Audit Committee and the Board's Compensation Committee, of which he is a member.

**MICHAEL L. SMITH**, age 66, has been a director of the Company since 2006. In addition to the Company, Mr. Smith serves as chairman of the board of hhgregg, Inc. and serves on the board of Envision Healthcare Holding, Inc. (formerly known as Emergency Medical Services Corp.), which are both public companies. He serves on the audit committees of both companies. 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: 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., USI, Inc., and Norvax, Inc., which are private companies.

Mr. Smith, as the former executive vice president and chief financial officer of Anthem, Inc. and current member of other public companies' audit committees, 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 make 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 Financial Expert as well as chair of the Board's Audit Committee. The Board has further utilized his expertise on the Board's Governance Committee, of which he is a member.

**JEAN L. WOJTOWICZ**, age 57, has been a director of the Company since 2000. 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 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 based in 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 Compensation 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.**

### Retiring Director's Biography

**NIEL C. ELLERBROOK**, age 66, has been a director of the Company since 2000. He served as non-executive Board chair from June 2010 to May 2011 and as Board chair and chief executive officer of the Company from March 2000, when SIGCORP, Inc. and Indiana Energy merged to create the Company, until his retirement from the Company on May 31, 2010. Additionally, Mr. Ellerbrook served as president of the Company from May 2003 until November 2007. Prior to that time and since June 1999, Mr. Ellerbrook served as president and chief executive officer of Indiana Energy. He is a director and the chair of the Compensation Committee of Old National Bancorp, a publicly-traded company. He also serves on the Board of Trustees of the University of Evansville.

Mr. Ellerbrook's experience as former chief executive officer of the Company provided him with keen insight into the Company's challenges and opportunities as well as its day-to-day operations. His decades of experience in the energy industry equipped him to assist his fellow Board members in assessing issues affecting the Company's businesses. Mr. Ellerbrook was the chair of the Board's Finance Committee and was a member of the Board's Corporate Responsibility and Sustainability Committee.

After serving on the Board since 2000, Mr. Ellerbrook has decided not to stand for reelection. His decision was not the result of any dispute or disagreement with management or the Board. As noted in the Report of the Nominating and Corporate Governance Committee on page 20 of this proxy statement, the Governance Committee is actively engaged in recruiting an additional member of the Board.



## Named Executive Officers

In addition to Mr. Chapman, whose biography appears on page 5, other named executive officers of the Company during 2014 were M. Susan Hardwick, age 52, Jerome A. Benkert, Jr., age 56, Ronald E. Christian, age 56, Eric J. Schach, age 52 and William S. Doty, until his death on August 25, 2014. Ages are as of the record date, March 13, 2015.

**M. SUSAN HARDWICK** was named senior vice president and chief financial officer of the Company, effective June 1, 2014. Prior to her current role, Ms. Hardwick was senior vice president of finance and assistant treasurer, and from 2000 to 2013, she served as vice president, controller and assistant treasurer of the Company. Prior to joining the Company, Ms. Hardwick's most recent experience was with Cinergy Corporation (whose successor company is Duke Energy), 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 has served as director of VUHI and VEDO since 2004 and has served as director of Indiana Gas since 2002 and as director of SIGECO since 2001. Ms. Hardwick is also a member of the board of directors of VESCO.

**JEROME A. BENKERT, JR.** has served as the Company's executive vice president and chief administrative officer since June 1, 2014. Prior to his current role, he served as the Company's executive vice president, chief financial officer and president, Vectren Shared Services, since September 2010. He served as the executive vice president and chief financial officer of the Company since March 2000 and as treasurer of the Company from October 2001 to March 2002. Mr. Benkert has also served as director of Indiana Gas, SIGECO, VEDO, and VUHI since March 31, 2000. Mr. Benkert is a member of the board of directors of Vectren Enterprises and VESCO. Mr. Benkert has announced his intent to retire from the Company in mid-2015.

**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 and since March 31, 2000, Mr. Christian served as senior vice president, general counsel and secretary of the Company. Mr. Christian has also served as director of Indiana Gas, SIGECO, VEDO and VUHI since March 31, 2000. Prior to March 31, 2000, and since 1999, he was vice president and general counsel of Indiana Energy. Also, Mr. Christian is a member of the board of directors of Vectren Enterprises and VESCO.

**ERIC J. SCHACH** was named senior vice president of utility operations and president of VUHI in June 1, 2014. Prior to his current role, Mr. Schach was senior vice president of marketing and energy delivery, and from 2003 to 2013, he served as vice president of energy delivery. For three years beginning in 2000, Mr. Schach served as chief information officer for the Company, and from 1994 to 2000, he held the position of vice president information technology for Indiana Gas. Mr. Schach has served as a member of the board of directors of Indiana Gas, SIGECO, VEDO, and VUHI since 2004. Mr. Schach is also a member of the board of directors of VESCO.

## 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 the directors, the chief executive officer, four additional NEOs, and all directors and other executive officers as a group, as of February 20, 2015. 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
Carl L. Chapman	52,355	35,269	282,444	370,068
James H. DeGraffenreidt, Jr.	8,451	0	3,724	12,175
Niel C. Ellerbrook	35,409	0	3,724	39,133
John D. Engelbrecht	12,069	0	3,724	15,793
Anton H. George (4)	16,936	0	3,724	20,660
Martin C. Jischke	1,000	11,897	3,724	16,621
Robert G. Jones	1,938	2,044	3,724	7,706
J. Timothy McGinley	15,283	40	3,724	19,047
Patrick K. Mullen	1,000	0	1,867	2,867
R. Daniel Sadlier	585	42,594	3,724	46,903
Michael L. Smith	6,644	13,148	3,724	23,516
Jean L. Wojtowicz	13,401	8,337	3,724	25,462
M. Susan Hardwick	0	12,365	37,083	49,448
Jerome A. Benkert, Jr.	47,001	0	94,658	141,659
Ronald E. Christian	26,192	39,922	77,117	143,231
Eric J. Schach	0	22,626	41,604	64,230
Directors and Executive Officers As a Group (16 Persons)	238,264	188,242	572,013	998,519

- (1) No director or executive officer owned beneficially as of February 20, 2015 more than 0.07% of the common stock of the Company. All directors and executive officers owned beneficially an aggregate of 238,264 shares or 0.29% of the 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 20, 2015. 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.

## 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, 2014:

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percent of Class
The Vanguard Group (1) 100 Vanguard Blvd. Malvern, PA 19355	6,873,027	8.3%
BlackRock, Inc. (2) 55 East 52nd Street New York, NY 10055	5,464,884	6.6%
State Street Corporation (3) State Street Financial Center One Lincoln Street Boston, MA 02111	4,742,353	5.7%

- (1) Ownership based on the Schedule 13G/A filed by the Vanguard Group on February 9, 2015, which indicated sole voting power for 60,188 shares, sole investment power for 6,825,339 shares, and shared investment power for 47,688 shares with its subsidiary, Vanguard Fiduciary Trust Company.
- (2) Ownership based on the Schedule 13G/A filed by BlackRock, Inc. on January 12, 2015, which indicated 5,464,884 shares beneficially owned with sole voting power of 5,183,363 shares and sole investment power for all shares.
- (3) Ownership based on the Schedule 13G/A filed by State Street Corporation on February 11, 2015, which indicated shared voting power and shared investment power for all 4,742,353 shares with the following subsidiaries: State Street Global Advisors France S.A.; State Street Bank and Trust Company; SSGA Funds Management, Inc.; State Street Global Advisors Limited; State Street Global Advisors Ltd; State Street Global Advisors, Australia Limited; State Street Global Advisors, Asia Limited.

## 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 ownership and changes in ownership concerning the common stock with the SEC and to furnish the Company with copies of all Section 16(a) forms they file. Based solely on the Company's review of the Section 16(a) filings that the Company has received, 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 2014 were made timely.

## Corporate Governance and Meetings and Committees of the Board of Directors

### Related Person Transactions

We maintain policies, procedures, and practices for monitoring the occurrence of transactions involving the Company and our subsidiaries and related persons (directors and executive officers or their immediate family members, or shareholders owning 5% or greater of our outstanding stock) and for reviewing and approving related person transactions. Our approach to monitoring related party transactions is described in our Corporate Code of Conduct, Code of Ethics for the Board and annual disclosure practices completed by our 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 our website at [www.vectren.com](http://www.vectren.com).

Our Corporate Code of Conduct directs all employees and Board members to avoid relationships and financial interests in vendors, suppliers, and contractors with whom we do business or who are seeking to do business with us. Further, our 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 Corporate Audit department for resolution. Annually, we require all Board members, executive officers, other corporate officers, and key employees to complete a certification that they have read the Corporate Code of Conduct and agree to abide by it. Annually, we also communicate with our major vendors, suppliers, and contractors to inform them of these restrictions.

Our 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. We also obtain information from directors at least annually about any of these relationships or transactions.

In connection with the preparation of this proxy statement and the related Form 10-K, we distributed a director and officer questionnaire to our directors and executive officers to elicit information about, among other matters, related person transactions. Data compiled from these questionnaires are reviewed by management, our 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. The related person transactions reviewed in connection with the preparation of this proxy statement are discussed on pages 21-22 of this proxy statement.

## Director Independence

The Board has determined that with the exception of Mr. Chapman, who is our chair, president and chief executive officer, all members of the Board are independent since they satisfy our Director Independence Standards. The Director Independence Standards are set forth on pages 21-22 of this proxy statement.

## 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, our Company 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 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 re-election 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. Because of the Board's confidence in Mr. Chapman's leadership, and based upon his performance since he assumed the leadership of the Company, the Board has concluded that similar efficiencies are realized by vesting him with the responsibilities of the Board chair, in addition to the responsibilities of the CEO. By combining the performance of all of these responsibilities with Mr. Chapman, he is able to optimize his first-hand knowledge of the operations of the Company, which facilitates his leadership of the Board regarding 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, in order that when it is advisable or necessary to have the non-employee, independent directors consider matters and take action, there will be a strong, independent leader in place to facilitate those considerations and actions. 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, including executive sessions of the independent directors; (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; and (ix) 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.

## 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, reputational and governance risks with specific responsibility for reviewing management's risk oversight function delegated to the Board's Audit Committee, as provided for in its charter. The Risk Management Committee ("RMC") is comprised of the chief executive officer, senior executives and other key members of management and led by the senior vice president and chief financial officer. The RMC meets approximately on a biweekly basis. The RMC identifies and oversees organizational efforts to address the top strategic risks facing the Company, as well as other risks that arise during the course of operations, and ensures that risk management efforts are aligned with our 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 that could significantly impact the business. For example, during 2014, 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 10 meetings during the last year. No member attended fewer than 93% 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 committees of our Board are: the Governance Committee, the Audit Committee, the Compensation Committee, the Finance Committee, and the Corporate Responsibility and Sustainability Committee. Committee memberships are shown in the following table:

Name	Governance	Audit	Compensation	Finance	Corporate Responsibility and Sustainability
James H. DeGraffenreidt, Jr.	Member	Member			
Niel C. Ellerbrook (1)				Chair	Member
John D. Engelbrecht				Member	Chair
Anton H. George	Member		Member		
Martin C. Jischke			Member		Member
Robert G. Jones				Member	Member
Patrick K. Mullen (2)					
J. Timothy McGinley	Chair			Member	
R. Daniel Sadlier		Member	Member		
Michael L. Smith	Member	Chair			
Jean L. Wojtowicz		Member	Chair		

(1) Mr. Ellerbrook will not stand for re-election at this year's annual meeting.

(2) Mr. Mullen joined the Board effective October 1, 2014, and has not yet been assigned to any committees. He is scheduled to be assigned to two committees in May of 2015, when such action is routinely taken.

**Governance Committee:** Membership on the Governance Committee is restricted to non-employee members of the Board who must be independent under New York Stock Exchange rules. The functions of the Governance Committee are described under Report of the Nominating and Corporate Governance Committee below. There were six meetings of the committee during the past year.

**Audit Committee:** The Board has determined that Mr. Smith and Ms. Wojtowicz are the Audit Committee's designated Financial Experts under the SEC definition. Membership on the Audit Committee 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 functions of the Audit Committee are described under Report of the Audit and Risk Management Committee below. There were seven meetings of the Audit Committee during the past year.

**Compensation Committee:** Membership on the Compensation Committee 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. The functions of the Compensation Committee are described under Report of the Compensation and Benefits Committee below. There were four meetings of the Compensation Committee during the past year.

**Finance Committee:** 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. The functions of the Finance Committee are described under Report of the Finance Committee below. There were three meetings of the Finance Committee during the past year.

**Corporate Responsibility and Sustainability Committee:** None of the members of the Corporate Responsibility and Sustainability Committee are an officer or employee of the Company. The functions of the Corporate Responsibility and Sustainability Committee are described under Report of the Corporate Responsibility and Sustainability Committee below. There were three meetings of the Corporate Responsibility and Sustainability Committee during the past year.



## Director Compensation

As more fully discussed in the Report of the Nominating and Corporate Governance Committee, which begins on page 17 of this proxy statement, 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.

In 2014, each non-employee director received an annual cash retainer of \$70,000 per year for service on the Board. The Lead Director received an additional annual cash retainer of \$25,000. The chair of the Audit Committee and chair of the Compensation Committee each received an additional annual cash retainer of \$10,000. All other committee chairs each received an additional annual cash retainer of \$5,000. All annual cash retainers were paid in the form of a monthly amount. Also, on May 22, 2014, each non-employee director received a time-vested equity grant with a targeted value of \$70,000, which will vest on May 1, 2015. No meeting attendance fees are paid to the non-employee directors.

In 2014, the Governance Committee employed Hay Group, the independent compensation consultant engaged by the Compensation Committee, to review the market competitiveness of the existing compensation paid to non-employee members of the Board. The last market review of the Company's non-employee director compensation was conducted in 2012. Based upon the 2014 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 pages 45-46 of this proxy statement, as well as general information in the marketplace regarding director compensation trends, Hay Group concluded that the existing compensation paid to the non-employee members of the Board was below both the median and the average of compensation paid to directors of other, comparable companies. Hay Group recommended an increase in the annual cash retainer from \$70,000 to \$72,000, an increase in the annual equity component (which is paid in the form of restricted stock units) from \$70,000 to \$85,000, and an increase in the annual retainer paid to the chair of the Audit Committee from \$10,000 to \$13,000. According to Hay Group, with these recommended changes, 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 to the Board that these changes be made. The Board received this recommendation and the supporting information at a meeting in September of 2014 and determined to make the changes with an effective date of January 1, 2015.

On January 1, 2015, the Governance Committee issued grants of restricted stock units to each non-employee member of the Board. The grants represent the annual equity component of the compensation for directors and were valued at \$85,000 in accordance with the changes approved by the Board and discussed above. The grants are subject to the terms and conditions of the grant agreement and the Vectren Corporation At-Risk Compensation Plan ( At Risk Plan ) and, absent forfeiture, will vest on January 1, 2016.

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 Board has adopted a director education policy. 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 to assist with the discharge of his or her duties.

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 by matching college or university gifts not to exceed \$2,500 in total, and matching gifts to organizations focused on preservation and restoration of natural resources, energy efficiency and renewable resources not to exceed \$2,500 in total.

Directors are eligible to participate in the Vectren Corporation Nonqualified Deferred Compensation Plans described starting on page 56 under the heading Nonqualified Deferred Compensation. At the present time, directors may defer all or a portion of their director fees and stock unit awards upon the lapse of restrictions applicable to those stock unit awards into the Vectren Corporation Nonqualified Deferred Compensation Plan, effective January 1, 2005, which is designed to comply with Section 409A of the Internal Revenue Code of 1986, as amended ( Internal Revenue Code ).

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The plans' measurement funds mirror the investment options in the Company's 401(k) plan except that the deferred compensation plans do 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 plans 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 service on our Board has ended, the balance in these plans is paid in either a lump sum or annual installments over 5, 10 or 15 years.

The following table summarizes the compensation paid to non-employee directors for the year ended December 31, 2014. 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 and did not receive any above-market or preferential earnings on deferred compensation.

#### 2014 DIRECTOR COMPENSATION TABLE

Name (a)	Fees Earned or Paid in Cash (1) (b)	Stock Awards (2) (c)	All Other Compensation (3) (d)	Total (e)
James H. DeGraffenreidt, Jr.	\$70,000	\$72,423	\$2,084	\$144,507
Niel C. Ellerbrook	\$75,000	\$72,423	\$2,084	\$149,507
John D. Engelbrecht	\$75,000	\$72,423	\$2,084	\$149,507
Anton H. George	\$70,000	\$72,423	\$7,084	\$149,507
Martin C. Jischke	\$70,000	\$72,423	\$2,084	\$144,507
Robert G. Jones	\$70,000	\$72,423	\$4,584	\$147,007
J. Timothy McGinley	\$100,000	\$72,423	\$4,584	\$177,007
Patrick K. Mullen	\$35,000	\$0	\$0	\$35,000
R. Daniel Sadlier	\$70,000	\$72,423	\$2,084	\$144,507
Michael L. Smith	\$80,000	\$72,423	\$7,084	\$159,507
Jean W. Wojtowicz	\$80,000	\$72,423	\$7,084	\$159,507

- (1) This column represents annual cash retainers paid to Board members. These amounts are more fully discussed above under Director Compensation.
- (2) This column reflects the aggregate fair value at the grant date 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. In Mr. Mullen's case, since he did not join the board until October 2014, he did not receive a stock award. Instead, the cash equivalent was paid to Mr. Mullen for the period of time he served as director in 2014, and the sum of those payments is reflected in the amount shown for him in column (b).
- (3) This column includes dividends paid on stock unit awards in 2014 and matching of qualifying charitable contributions. The table below discloses the breakdown of payments in the All Other Compensation column.

#### 2014 DIRECTOR ALL OTHER COMPENSATION TABLE

Name	Stock Unit Dividends	Directors Matching Policy Contributions	All Other Compensation
James H. DeGraffenreidt, Jr.	\$2,084	\$0	\$2,084
Niel C. Ellerbrook	\$2,084	\$0	\$2,084
John D. Engelbrecht	\$2,084	\$0	\$2,084
Anton H. George	\$2,084	\$5,000	\$7,084
Martin C. Jischke	\$2,084	\$0	\$2,084
Robert G. Jones	\$2,084	\$2,500	\$4,584
J. Timothy McGinley	\$2,084	\$2,500	\$4,584
Patrick K. Mullen	\$0	\$0	\$0
R. Daniel Sadlier	\$2,084	\$0	\$2,084
Michael L. Smith	\$2,084	\$5,000	\$7,084
Jean W. Wojtowicz	\$2,084	\$5,000	\$7,084

## 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 chair of the Governance Committee is J. Timothy McGinley, who is also the Lead Director. The Governance Committee met six times during the past year. At each meeting, the Governance Committee conducts 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](http://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 and the primary leadership of the Company s subsidiaries and affiliates;

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;

Identifying and selecting qualified nominees for election to the Board, including 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 re-election;

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.

### 2014 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 constant oversight, over time, 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 2014 the Committee evaluated the Board s role in interacting with the company s shareholders. This effort included the full Board receiving a presentation by a founding member of the Shareholder Director Exchange (SDX) Protocol, [www.sdxprotocol.com](http://www.sdxprotocol.com), which has established practices for director engagement with institutional shareholders. Based upon the unanimous recommendation of the Governance Committee, in 2014 the full Board agreed to the Company s adoption of the principles embodied in the SDX Protocol.

As required by the Governance Committee's charter, which is posted on the Company's website at [www.vectren.com](http://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](http://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 12 of this proxy statement. 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.

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 and ultimately provided to the entire Governance Committee. Upon receipt, the determination is made whether in light of the needs of the Board to pursue the inquiry further, which would include an analysis of the inquiring individual under the Board's qualification criteria. Each inquiry is evaluated on its own merits.

In connection with the 2015 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 re-election. As a result of that process, the Governance Committee concluded that the full Board should recommend to the shareholders the re-election of the existing directors, with the exception of Niel C. Ellerbrook, who will not stand for re-election at the 2015 annual meeting.

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 were approved by the full Board. The independence standards are set forth and discussed on pages 21-22 of this proxy statement. 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 and affiliates. 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 senior 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, effective August 2013, a number of organizational changes were made resulting in the promotion of three vice presidents to senior executive positions, as well as the reallocation of responsibilities among a number of vice presidents, and the creation of new officer roles for certain functions. Under the oversight of the Governance Committee, and as a result of the succession planning process, further organizational changes were made effective June 2014. The changes were precipitated by the announced retirement in 2015 of the Company's then chief financial officer and the illness of the Company's executive vice president in charge of the Company's utility operations, who passed away in August 2014. 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, the chair of the Governance Committee provides updates on this subject to the Board as part of the executive session segments of Board meetings.

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 current officers to their respective positions in June of 2014. This review and recommendation was done in light of the Governance Committee's ongoing assessment of the succession planning and talent development processes and reflected the changes discussed above with respect to the chief financial officer and utility operations executive vice president positions. 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 the year, 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. Mr. McGinley has also served as the Lead Director since that time. This subject is discussed more fully at page 13 of this proxy statement with respect to the organizational structure of the Board. As discussed later in this report, the Governance Committee, together with the full Board, is actively engaged in a succession planning process for the Lead Director position. Under the Company's Corporate Governance Guidelines, and as more fully discussed in this report, as a result of a one-year waiver of the mandatory director retirement guideline, Mr. McGinley will not be eligible to stand for reelection in 2016.

Under the oversight of the Governance Committee, formal Board development activities were undertaken during the year. The Board conducted a multi-day development session where they heard presentations from various external professionals regarding important issues affecting the Company, including with respect to cybersecurity, the energy industry and trends in corporate governance. As part of that session, the Board also received in-depth presentations from senior management regarding energy industry issues and processes affecting the Company and its subsidiaries. The Board also received a presentation from one of the Company's largest shareholders. In addition, some members of the Board 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. Periodically, the Governance Committee directs the preparation of an analysis of the continuing market competitiveness of that compensation. In 2014, the Governance Committee had such an analysis prepared by 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 system, which consists of an annual board retainer, committee chair retainers, and equity grants. The analysis primarily relied upon a review of 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 to outside directors was below both the average and the median for the Company's peer group. In August of 2014, the Governance Committee took action in response to the report provided by the independent compensation consultant and recommended an adjustment to director compensation. That recommendation was adopted by the Board at its September 2014 meeting, with an effective date of January 1, 2015. The specifics of director compensation are more fully discussed on pages 15-16 of this proxy statement under the heading Director Compensation. In 2015, the Governance Committee anticipates continuing to review the on-going market competitiveness of director compensation to ensure that it remains appropriate.

As the plan administrator of the At Risk Plan, with respect to compensation for non-employee members of the Board, the Governance Committee has made annual grants of restricted stock units for directors effective as of January 1, 2015. As part of this action, the Governance Committee moved the effective date of the grants from May 1. The role of equity compensation as part of the total compensation provided to non-employee directors is more fully discussed beginning on page 15 of this proxy statement.

During the year, the Governance Committee oversaw the efforts of the Corporate Affairs Committee, which has been renamed the Corporate Responsibility and Sustainability Committee, to expressly broaden the scope of that Committee's responsibilities to include corporate sustainability. The Governance Committee provided input to the Corporate Responsibility and Sustainability Committee with respect to this change and, as more fully discussed in that Committee's report at pages 33-34 of this proxy statement, those responsibility changes were implemented effective February 1, 2015.

Under the leadership 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 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 current and expected talent needs for the Board. During 2014, as a result of the use of this matrix and the results of the 2013 annual Board performance evaluation, the Governance Committee and the Board reached the conclusion that given the increasing





contributions made by the Company's subsidiaries Vectren Infrastructure Services Corporation (VISCO) and Vectren Energy Services Corporation (VESCO), which are both engaged in aspects of the construction business, additional director expertise in the construction area would further enhance the Board's performance and effectiveness. Thereafter, the Governance Committee worked with a third-party search firm to identify potential candidates for membership on the Board. After an extended process during which the Governance Committee and the full Board met with a number of candidates, the decision was made to extend an invitation to Patrick K. Mullen to join the Board. Mr. Mullen has significant management expertise with a particular emphasis upon the construction area and his qualifications are set forth on page 7 of this proxy statement. Mr. Mullen accepted that invitation and joined the Board in October of 2014.

Early in 2015, 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. 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 performance and contributions, as well as the performance and contributions by peer directors, and 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 his 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, and (2) provides the full Board with the findings and any recommended actions, 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, the Board has determined not to employ a director tenure policy, which would limit the service of valuable Board members. The Board does have a retirement policy in 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 seventy-five (75).

The Governance Committee is continuing to engage in the Board succession planning process, including the development of the process for the selection of the next Lead Director, due to the fact that under the Company's Corporate Governance Guidelines, Mr. McGinley will not be eligible to stand for reelection in 2016, and, for the same reason, Mr. Jischke will not be eligible to stand for reelection in 2017. In addition, Mr. Ellerbrook has made the decision to not stand for reelection at this year's annual meeting. This process and the resultant addition of new members to the Board are also intended to enhance the Board's performance and effectiveness by broadening its strengths and experiences. The Governance Committee is working with a third party advisor to identify talented individuals for consideration as members of the Board, who would best match the desired strengths and experiences as determined by the Governance Committee and the full Board. This process is ongoing.

At the November 2014 Board meeting, the independent members of the full Board voted to provide Mr. McGinley a one year waiver of the mandatory retirement age set forth in the Company's Corporate Governance Guidelines. That action was confirmed by the independent members of the Board in March of 2015. The basis for this waiver was to enable Mr. McGinley to complete his ongoing efforts as Lead Director with respect to the continuing implementation of the Company's change in its strategic direction (exiting commodity-based businesses, stabilizing earnings growth, and further growing VISCO and VESCO, together with the Company's utility businesses) and in executing the Board succession planning and Lead Director selection processes discussed above. Mr. McGinley and Mr. Chapman, who is not independent, did not participate in either instance of the decision-making process relating to this waiver.

At the February 2015 meeting, the Governance Committee confirmed that all Board committees had complied with their respective charters during 2014. 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, 2015, equaled \$360,000. As of January 31, 2015, all of the non-employee directors, excluding Messrs. Jones and Mullen who are 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 vested in the money stock options (of which none are outstanding), restricted shares and stock unit awards, with value based on the market price of our common stock.

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 2014, the Governance Committee, with assistance from the Hay Group, reviewed 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 2015.

### 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 that no changes were necessary or advisable. Also, as required by the Governance Committee's charter, the Governance Committee conducted an annual performance evaluation, and as noted on page 20 of this proxy statement, the results of which have been discussed among the members.

### 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,<sup>1</sup> 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. (A) The director is a current partner or employee of a firm that is the Company's internal or external auditor; (B) the director has an immediate family member who is a current partner of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and personally works on the Company's audit; or, (D) the director 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.

<sup>1</sup> 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.



The NYSE listing standards require that the Board affirmatively determine that a director has no material relationship at the Company. In determining whether a particular director satisfied the independence criteria, the Governance Committee considered the following transactions. In 2014, the Company purchased approximately \$338,000 of advertising and digital media agency services from South Central Communications, Inc. (South Central), a corporation in which Mr. Engelbrecht has a thirty-six percent ownership interest and for which he serves as chair and president. The sum of these purchases represents a small percentage, less than 1%, of South Central's 2014 revenues. In 2014, the Company had banking relationships with Old National Bank, of which Mr. Jones is president and chief executive officer. The total fees paid for those relationships, which consist of approximately \$125,000, represent a very small percentage of Old National Bank's 2014 revenues. These fees were solely transactional fees and included: \$44,000 in payments for participation and renewal in the \$600 million VUHI and Capital Corp. syndicated credit facilities at the level of \$15 million; a \$24,000 payment for provision of three letters of credit to Vectren Fuels, Inc. totaling about \$5.2 million, which letters of credit have been terminated following the August 2014 sale of Vectren Fuels; and a \$57,000 payment for bank account service charges related to provision of the Vectren payroll account, which serves several subsidiary companies, provision of the account processing automated customer checking account drafts for Vectren South, provision of the miscellaneous customer billings lockbox account, 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, which was significantly less than 1% of Old National Bank's and the Company's respective gross revenues. The Governance Committee and the Board determined that the amounts involved in these transactions were well below the levels provided in the director independence standards and were not material to the relevant directors or to any person or organization with whom they are affiliated.

<sup>1</sup> 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.

## 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. In considering director nominees pursuant to its charter, the Governance Committee employs a holistic approach to diversity, taking into consideration factors that affect a candidate's life and work experiences, including, racial, ethnic, social, economic, educational, professional, geographic and community experiences. In discharging this responsibility, the Governance Committee assesses the viewpoint, background and demographics of the candidates. The Governance Committee 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 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 to enhance, where appropriate, the Company's corporate governance practices. The Governance Committee anticipates meeting at least five times in 2015.

## NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

J. Timothy McGinley, *Chair*,  
James H. DeGraffenreidt, Jr.,  
Anton H. George, and  
Michael L. Smith

## Report of the Audit and Risk Management Committee

The 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 ). 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 containing provisions that address requirements imposed by the Securities and Exchange Commission ( SEC ) and the NYSE. That charter is posted on the Corporate Governance section of the Company's website at [www.vectren.com](http://www.vectren.com). The charter, as revised and restated in September 2012, prescribes the Audit Committee's oversight of SEC and other financial compliance matters in addition to a number of other responsibilities that the Audit Committee performs. Those responsibilities include:

Overseeing the integrity of the Company's financial statements;

Overseeing the independent 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 risk assessment and risk management.

### 2014 Accomplishments

In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management and the independent registered public accounting firm, Deloitte & Touche, LLP ( 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 also received reports from management with respect to each of the Company's quarterly reports on Form 10-Q and reviewed drafts of the Company's earnings releases prior to public dissemination.

Michael L. Smith and Jean L. Wojtowicz each is designated an Audit Committee Financial Expert, as previously determined by the Board. These appointments and designations were reviewed and approved by the Governance Committee and confirmed by the Board. The other committee members have significant financial acumen and have been determined by the Governance Committee and confirmed by the Board to be financially literate as that term is defined by the NYSE Corporate Governance Listing Standards. The section of this Proxy Statement captioned Nominee Biographies beginning on page 5 contains biographies of each Audit Committee member.

The Audit Committee has discussed with Deloitte matters required to be discussed by Public Company Accounting Oversight Board ( PCAOB ) Auditing Standard 16, Communications with Audit Committees. Such matters include the timing of the audit, audit strategy and scope, and significant risks and unusual transactions. More specifically, items addressed in 2014 related to the accounting for significant regulatory actions; the accounting for and disclosure of significant acquisitions and dispositions of assets and businesses; and analysis of the carrying value of certain assets and investments.

The Audit Committee has also received from Deloitte the written disclosures required by the PCAOB regarding Deloitte's independence and has discussed with Deloitte their independence. The Audit Committee has approved the terms of Deloitte's engagement letter.

The vice president of Corporate Audit reports functionally to the Audit Committee, and in early 2014, the Audit Committee reviewed and approved the Corporate Audit department's charter, work plan, and budget for activities to be undertaken during 2014.

The Audit Committee met periodically with the vice president of Corporate Audit and Deloitte, with and without management present, to discuss the results of their audits and other activities, their evaluations of the Company's internal controls, and their judgments as to the quality and the acceptability of the Company's financial reporting.

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During the year, the Audit Committee received updates from the Company's legal counsel with respect to compliance with SEC rules and regulations and other litigation, claims, and legal matters that have potential to affect the Company's financial statements.

## Corporate Code of Conduct

As provided for in its charter, the Audit Committee is responsible for establishing, reviewing, and updating periodically a Corporate Code of Conduct ( Code ) and ensuring that management has established a system to enforce this Code. This process includes confirming that the Code is in compliance with all applicable rules and regulations. Additionally, processes have been outlined within the Code providing Company employees and others with the ability to directly contact the chair of the Audit Committee with issues arising under the Code or to utilize other methods to report issues, such as the Company s anonymous third party administered hotline. A copy of the Code is posted on the Corporate Governance section of the Company s website at [www.vectren.com](http://www.vectren.com) (link is titled Corp Code of Conduct ). The Audit Committee reviews management s monitoring of the Company s compliance with the Code and confirms that management has the proper review system in place to provide that the Company s financial statements, reports, and other financial information disseminated to governmental organizations and the public satisfy applicable legal requirements. The Audit Committee also confirmed, with assistance from the Corporate Audit department, that during 2014 the members of the Board have complied with the Code.

## Risk Management

As provided for in its charter, the Audit Committee, throughout the year, received and reviewed reports from management regarding enterprise risk issues affecting the Company and 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. As part of risk management, the Audit Committee received regular reports regarding the Company s approach to cybersecurity issues.

## Sarbanes-Oxley Section 404 Compliance

Throughout the year, the Audit Committee received and 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 reports on this subject from the Company s chief financial and accounting officer and the corporate controller, as well as commentary from Deloitte with respect to 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 setting and approving the fees paid to Deloitte for its services. In determining these fees, the Audit Committee and management considers the quality of work Deloitte has performed in the past, the staffing mix Deloitte expects to employ on the engagement, and fees charged by Deloitte s peers and Deloitte on similar engagements.

The Audit Committee has adopted a formal policy with respect to the pre-approval of audit and permissible non-audit services to be provided by the independent registered public accounting firm. Pre-approval is assessed on a case-by-case basis. In assessing requests for services to be provided by the independent registered public accounting firm, the Audit Committee considers whether such services are consistent with the auditors independence, whether the independent registered public accounting firm 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 ability to manage or control risk or improve audit quality. The audit-related, tax, and other services provided by Deloitte in the last year and related fees were approved by the Audit Committee in accordance with this policy. Audit fees are disclosed in more detail in the section captioned Independent Registered Public Accounting Firm of the Company beginning on page 64 of this proxy statement.

When necessary, the Audit Committee assists the Company with the transition of engagement partners. This assistance includes an interview of the candidates. Audit partner transitions are required by PCAOB rules that mandate firms rotate engagement partners. The current Deloitte lead engagement partner has led the Company s audit for three years.



## Reappointment of Deloitte

The Audit Committee has recommended to the full Board that Deloitte be reappointed as the Company's independent registered public accounting firm for 2015. That recommendation calls for the reappointment to be subject to ratification by the Company's shareholders at the 2015 annual meeting. In determining whether Deloitte's reappointment 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 peer firms; and

The appropriateness of fees charged.

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

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

Management is responsible for the Company's financial reporting process, including its system of internal control, and for the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; establishing and maintaining disclosure controls and procedures; establishing and maintaining internal control over financial reporting; evaluating the effectiveness of disclosure controls and procedures; evaluating the effectiveness of its internal control over financial reporting; and evaluating any change in its internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

The Company's independent registered public accounting firm 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, as well as expressing an opinion on the effectiveness of the Company's internal control over financial reporting.

The Audit Committee's responsibility is to monitor and review the processes performed by management and Deloitte. It is not the Audit Committee's duty or responsibility to conduct auditing or accounting reviews or procedures. The Audit Committee members are not employees of the Company. Therefore, the Audit Committee has relied, without independent verification, on management's representation that the financial statements have been prepared with integrity and objectivity and in conformity with accounting principles generally accepted in the United States of America and on the representations of Deloitte included in its reports on the Company's financial statements and internal control over financial reporting. Furthermore, the Audit Committee's considerations and discussions with management and the independent registered public accounting firm concerning the Company's audited and unaudited financial statements, internal controls and related matters do not assure 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.

## 2014 Form 10-K

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the full Board that the audited consolidated financial statements of the Company and its subsidiaries for 2014 be included in the annual report on Form 10-K for the year ended December 31, 2014 for filing with the SEC.

A copy of the Company's 2014 Form 10-K is available without charge upon request. Send your request to:

Attn: Investor Relations  
Vectren Corporation  
One Vectren Square  
Evansville, IN 47708

vcir@vectren.com

## Annual Committee Charter Review and Performance Evaluation

The Audit Committee reviewed its charter during 2014. Based on that review, no changes to the charter were necessary or advisable. The Audit Committee confirmed that it fulfilled the requirements of the charter over the course of 2014. Also, as required by its charter, the Audit Committee conducted an annual performance evaluation in an effort to continuously improve its processes. The Audit Committee plans to implement changes that result from this evaluation that will enhance future performance.

## Commitment

The Audit Committee is committed to ensuring that the Company implements and follows necessary and appropriate financial reporting processes. The Audit Committee anticipates meeting seven times throughout 2015.

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

Michael L. Smith, *Chair*,  
James H. DeGraffenreidt, Jr.,  
R. Daniel Sadler, and  
Jean L. Wojtowicz

## Report of the Compensation and Benefits Committee

The Compensation Committee has four members and met four times during the year 2014. The Compensation Committee is comprised solely of non-employee directors, all of whom the Board has determined are independent pursuant to the NYSE rules. The Compensation Committee members are also required to 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](http://www.vectren.com). At each meeting, the Compensation Committee conducts an executive session without management present.

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 president and chief executive officer and each of the other executive officers of the Company;

- Administer the Company's management incentive and stock-based compensation plans, and oversee the administration of the Company's retirement and welfare plans and discharge the duties imposed on the Compensation Committee by the terms of the plans; and

- Conduct the performance appraisal for the Company's president and chief executive officer; and perform other functions or duties that are deemed appropriate by the full Board.

Compensation decisions for the Company's executive officers named in the Summary Compensation Table in this proxy statement, which include the president and chief executive officer and other executive officers of the Company (collectively, "executive officers"), are made by the Compensation Committee. Decisions regarding non-equity compensation for other officers of the Company and the officers of the Company's primary subsidiaries are made by the Company's president and chief executive officer and, in certain cases, are reviewed and evaluated by the Compensation Committee. Compensation for the officers of the Company's nonutility businesses is established by the boards for those entities. The Compensation Committee has engaged Hay Group, Inc. ("Hay Group"), an independent outside global 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 agendas for meetings of the Compensation Committee are established by its chair with assistance from the other members of the Compensation Committee, the Compensation Committee's independent compensation consultant, and the Company's president and chief executive officer, chief administrative officer, and chief legal and external affairs officer and secretary. Compensation Committee meetings are regularly attended by the president and chief executive officer, chief administrative officer, chief financial officer, chief legal and external affairs officer and secretary, and the vice president of Human Resources. The Compensation Committee's chair reports the Compensation Committee's recommendations on executive compensation to the Board 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 the task of 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 it deems necessary or advisable to assist in the fulfillment of its responsibilities.

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

Compensation determinations for our executive officers, including the chair, president, and chief executive officer, 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 stock-based compensation opportunity for each of the other executive officers. He receives and reviews market data from the Compensation Committee's independent compensation consultant. Mr. Chapman considers that data, as well as the overall performance of each other executive officer, such executive officer's contributions to the Company over the past year, such executive officer's experience and potential, any change in such executive officer's functional responsibility, and internal pay equity in making his recommendations.

Mr. Chapman's recommendations are reviewed by the Compensation Committee with assistance from its independent compensation consultant, and the Compensation Committee can accept or make upward or downward adjustments to the recommended amounts. Determinations regarding short-term and long-term incentive opportunities under the At Risk Plan for the other executive officers are approved by the Compensation Committee. Mr. Chapman also provides recommendations with respect to those opportunities to the Compensation Committee for the Company's other officers and certain of the 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.

### Share Ownership Policy for Officers

Our Company's share ownership policy requires officers to meet share ownership targets. The Compensation Committee adopted that policy in 2000 and it provides a five year transition period for officers to comply with their applicable share ownership targets. The Compensation Committee expects the 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 three times base salary for Messrs. Benkert, Christian, and Schach, and Ms. Hardwick, and five times base salary for Mr. Chapman. As of February 20, 2015, all of the current 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 20, 2015, all of the Company's current officers, as well as officers of the regulated business subsidiaries of the Company, and the presidents of the Company's primary non-regulated businesses, who are subject to the share ownership policy either held the required level of shares or they were still in their five year compliance transition period. Moreover, based upon research conducted at the Compensation Committee's direction, the Compensation Committee determined in 2014 that the existing share ownership targets are in line with the market for such matters.

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 vested in the money stock options, restricted shares and stock unit awards, with value based on the market price of our common stock. Presently, there are no outstanding stock options held by the executive officers of the Company.

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

The Compensation Committee has the authority under its charter to retain outside consultants. In accordance with this authority, the Compensation Committee engaged Hay Group as its independent compensation consultant for 2014. 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 their engagements work under the direction and supervision of the chair of the Compensation Committee. Once that work is completed, it is then reported to the entire Compensation Committee for review, discussion and, if appropriate, action by the Compensation Committee. Under the direction and supervision of the chair of the Compensation Committee, Hay Group provides market data concerning