Workplace Environment has Evolved

- **GLOBAL**
- **FLAT**
- **FLEXIBLE**
- **MULTI-GEN**
- **VIRTUAL**
- **ON DEMAND**

**MODERN WORKPLACE**
Program Effectiveness Research

1. “High performers who violate our code of conduct or values are tolerated.”
2. “Managers in my organization sometimes act as if they are above the rules.”
3. “Our employees trust that their leaders consistently make values-based decisions.”
4. “Employees in my company feel pressured to achieve immediate objectives, even if it means acting in ways that are inconsistent with our values.”
5. “Employees in my company hesitate to speak up/out during team meetings because they worry about how their managers will react.”
6. “Employees in my company question decisions when they conflict with our values.”
7. “Employees in my company do the right thing, even if it’s not in their personal best interest.”
8. “Employees in my company are comfortable skipping levels or going to a level above their direct boss to raise ethical concerns.”
THE TIME FOR BUILDING RELATIONSHIPS IS NOT IN THE MIDDLE OF A CRISIS

Mobilize your leaders today. Tomorrow is too late.
Accountability starts with Leaders: Develop the Front-Line

Setting the tone of a speak-up culture within the company often starts with leaders.

Employees report misdeeds 71% of the time when they believe top management is committed to ethics.

Front-line management are the gatekeepers of culture. They are in the most influential position to foster an environment for employees to raise concerns and speak out.

- 57% of people will go to their direct supervisor when they observe misconduct

Do they LISTEN UP?

- Less than 2% of managers are formally trained around active listening
- Average manager interrupts employees within 17 seconds when someone is speaking.

Organization Chart

CMS Energy
Headquarters Jackson, MI
NYSE: “CMS”

EnerBank USA
Revenue – $120 Million

Enterprises
Revenue – $215 Million

Independent Power Production
Energy Resource Management

Consumers Energy
Michigan-Based Utility
Serving Over 6.7 Million Residents

Electric Utility
Revenue – $4.4 Billion
Customers – 1.8 Million

Gas Utility
Revenue – $1.7 Billion
Customers – 1.8 Million
Serving 6.7 Million Michigan Residents

- Founded 1886
- Michigan’s largest utility
- 7,400 employees (3,000 contractors)
- 66,000 miles of electric distribution lines
- 27,500 miles of natural gas distribution mains

This is CMS Energy...
### Purpose

**CMS ENERGY:**
**WORLD CLASS PERFORMANCE**
**DELIVERING HOMETOWN SERVICE**

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### Our Guiding Principles

<table>
<thead>
<tr>
<th>Guiding Principle</th>
<th>Belief</th>
<th>Behaviors &amp; Practices</th>
</tr>
</thead>
</table>
| **We Act with Integrity** | We believe integrity is a cornerstone of business success. | - We place the health and safety of ourselves, our families and our customers above all else.  
- We follow all laws, regulations and rules.  
- We do the right thing every time.  
- We walk the talk.  
- We act with the highest ethics, transparency, and honesty.  
- We are accountable for our words, actions and decisions. |
| **We Earn Our Customers' Business 24/7** | We believe serving our neighbors, friends and family is an honor and privilege that must be earned every day. | - We are motivated and able to serve customers.  
- We provide excellent service.  
- We build relationships and create trust with customers.  
- We keep customers safe and informed.  
- We own our customer interactions and make decisions to meet their needs.  
- We seek opportunities to add value to the customer, regardless of our role in the organization. |
| **We Cross the Finish Line Together** | We believe success is achieved when we work together. | - We use interactions as an opportunity to build relationships.  
- We promote openness and teamwork, and support change.  
- We see the big picture and balance our own and team’s interests with those of the larger organization.  
- We respect and value individual backgrounds, contributions and perspectives.  
- We give our personal best to the team. |
| **We Put Points on the Board** | We believe success depends on delivering meaningful results. | - We add real and measurable value every day.  
- We provide recognition and feedback based on results aligned with our principles.  
- We behave as owners and act with urgency.  
- We manage risk and learn from results. |
| **We Leave It Better Than We Found It** | We believe lasting value is created through making improvements every day. | - We are motivated by the organization’s greater purpose.  
- We seek sustainable solutions that meet the social, economic and environmental needs of the stakeholders we serve.  
- We continuously look for new and better ways to deliver lasting value.  
- We improve and use innovative processes and systems that meet the needs of customers.  
- We have the best talent and share our knowledge and experience to ensure success. |
| **It's a Great Place to Work** | We believe in an environment where we can contribute our full potential. | - We extend and earn trust.  
- We listen to understand, treat others with dignity and communicate openly.  
- We support and coach each other.  
- We help each other balance work and personal lives.  
- We pursue challenging growth and development opportunities.  
- We enjoy our work and are passionate about it. |
Compliance Office Responsibilities

- Reinforce a **safe and strong ethical culture** that embodies inclusiveness, respect, honesty and incorporation of the Guiding Principles.

- **Ensure compliance** with all laws and regulations applicable to our company.

- **Create transparency** to senior leaders and the board regarding compliance and misconduct risk.

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Our Compliance Framework

Compliance supports our Company strategy

<table>
<thead>
<tr>
<th>Maintain Ethical Culture</th>
<th>100% Regulatory Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Guiding Principles</td>
<td>• We operate in a highly regulated environment</td>
</tr>
<tr>
<td>• Code of Conduct</td>
<td>• Regulations continue to evolve</td>
</tr>
<tr>
<td>• Training/certification</td>
<td>• We continue to mature our compliance programs</td>
</tr>
<tr>
<td>• Employee Ethics Awards</td>
<td></td>
</tr>
<tr>
<td>• Diversity and inclusion efforts</td>
<td></td>
</tr>
</tbody>
</table>

Compliance Pillars

Proper framework is in place to maintain an ethical culture and ensure regulatory compliance.
Centralized Oversight with Decentralized Accountability

Regulatory Compliance Pillar

CONSISTENT MODEL
FRAMEWORK – “What”
APPLICATION – “How”

Collaborating on “best practices” to define the “how” and establish a standard regulatory and compliance framework.

Measuring Effectiveness Through Program Maturity

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over All Program Maturity</td>
<td>Violation of federal/state rule, requiring follow up or corrective action within 45 days</td>
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</tr>
<tr>
<td>People</td>
<td>Most employees in the business unit are aware of their role in regulatory compliance. For the most part, staff training and qualifications exist to ensure that appropriate controls, policies, and technologies are implemented to reduce risk related regulatory compliance. Resources exist that are relatively competent to ensure regulatory compliance.</td>
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<td>Process Maturity</td>
<td>Framework exists to implement an effective regulatory compliance program. Roles and responsibilities are clear and defined.</td>
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<td>Technology</td>
<td>Technology is in use for most of the regulatory compliance risk management activities but may be dated or pieced together platforms requiring upgrades or regular support. Further, the technology may not be widely utilized throughout the business unit.</td>
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LEGEND
0 – 1.9 Red
2 – 3.4 Yellow
3.5 – 5 Green

Risk Performance Trending

EXAMPLE
Ethical Culture Pillar

- Code of Conduct and Guiding Principles
- Culture Surveys and Focus Groups
- Ethics Awards
- Ethics/Cultural Ambassadors
- Misconduct Investigations and Corrective Actions
- LRN Videos – leadership facilitated sessions

Communication and Training Strategy

- Continuous Improvement Strategy
- Real company issues to drive lessons
- Employees as brand ambassadors focus
  - Personal interactions
  - Social media