Workplace Environment has Evolved

Influences on Everyday Decision Making: Social Immersion

Dr. Albert Bandura
Social Learning Theory
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 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.

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

Consumers Energy
Michigan-Based Utility Serving Over 6.7 Million Residents

Enterprises
Revenue – $215 Million

Electric Utility
Revenue – $4.4 Billion
Customers – 1.8 Million

Energy Resource Management

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

Our Guiding Principles

<table>
<thead>
<tr>
<th>Guiding Principle</th>
<th>Belief</th>
<th>Behaviors &amp; Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>We Act with Integrity</td>
<td>Belief: Distinguished by a commitment to honest and ethical conduct.</td>
<td>We act with integrity and align our behaviors with our values. We maintain a culture of openness, honesty, and transparency. We own our words and actions and hold ourselves accountable.</td>
</tr>
<tr>
<td>We Earn Our Customers’ Business</td>
<td>Belief: We believe serving our neighbors, friends, and families is an honor and a privilege that must be earned every day.</td>
<td>We are motivated and able to serve our customers. We provide excellent service. We build relationships and create trust with our customers. We keep our customers safe and informed. We own our customer interactions and make decisions to meet their needs. We seek opportunities to add value to our customers, regardless of our role in the organization. We keep customers informed and engaged.</td>
</tr>
<tr>
<td>We Cross the Finish Line Together</td>
<td>Belief: We believe success is achieved when we work together.</td>
<td>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.</td>
</tr>
<tr>
<td>We Put Points on the Board</td>
<td>Belief: We believe success depends on delivering meaningful results.</td>
<td>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.</td>
</tr>
<tr>
<td>We Leave It Better Than We Found It</td>
<td>Belief: We believe lasting value is created through making improvements every day.</td>
<td>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. We deliver the “Count on Us” promise by striving to learn every day.</td>
</tr>
<tr>
<td>It’s a Great Place to Work</td>
<td>Belief: We believe in an environment where our full potential can be realized.</td>
<td>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.</td>
</tr>
</tbody>
</table>
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.

Our Compliance Framework

Compliance supports our Company strategy

- Maintain Ethical Culture
- 100% Regulatory Compliance

- Guiding Principles
- Code of Conduct
- Training/certification
- Employee Ethics Awards
- Diversity and inclusion efforts
- We operate in a highly regulated environment
- Regulations continue to evolve
- We continue to mature our compliance programs

Proper framework is in place to maintain an ethical culture and ensure regulatory compliance.

Regulatory Compliance Pillar

Consistent Model

Consistent Model - Framework - "What" Application - "How"

Centralized Oversight with Decentralized Accountability

Collaborating on "best practices" to define the "how" and establish a standard regulatory and compliance framework.
## Measuring Effectiveness Through Program Maturity

### OVERALL PROGRAM MATURITY RISK SCORE = 3.1

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
<th>Avg</th>
<th>Trending</th>
</tr>
</thead>
<tbody>
<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, practices and technologies are implemented to reduce risk related to regulatory compliance. Resources exist that are relatively competent to ensure regulatory compliance.</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Process</td>
<td>Framework exist to implement an effective regulatory compliance program. Regulatory compliance activities, including roles and responsibilities are clearly defined.</td>
<td>4</td>
<td></td>
</tr>
<tr>
<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>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Regulatory Climate</td>
<td>A manageable level of regulatory scrutiny or political influence exists. The Company may have the ability to influence regulatory or political climate.</td>
<td>3</td>
<td></td>
</tr>
</tbody>
</table>

### LEGEND

- 0 – 1.9 Red
- 2 – 3.4 Yellow
- 3.5 – 5 Green

### Ethical Culture Pillar

#### Code of Conduct and Guiding Principles

- Culture Surveys and Focus Groups
- Ethica Awards
- Ethica/Cultural Ambassadors
- Code of Conduct and Guiding Principles
- Communication and Training Strategy
- Continuous Improvement Strategy
- Real company issues to drive lessons
- Employees as brand ambassadors
- Social media

#### Misconduct Investigations and Corrective Actions

- LRN Videos – leadership facilitated sessions