

CMS Energy: A New Step Forward

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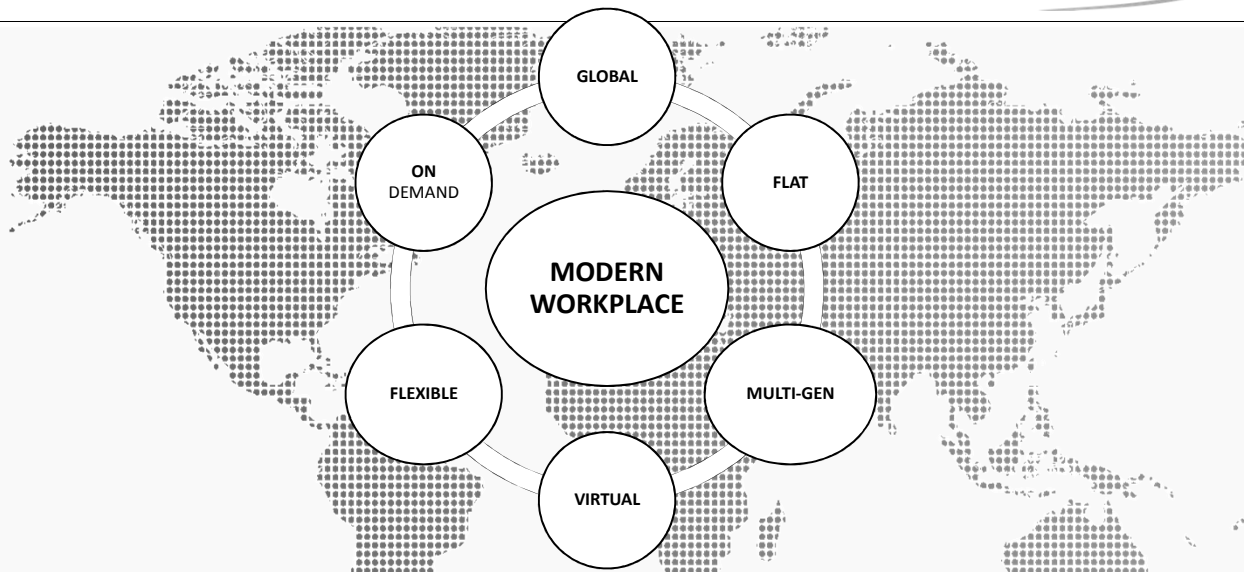
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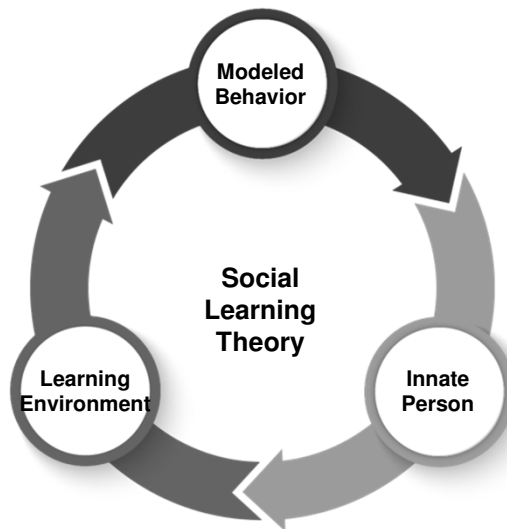
Workplace Environment has Evolved

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Influences on Everyday Decision Making: Social Immersion



Dr. Albert Bandura
Social Learning Theory

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."

Which of the following behaviors does your C-Suite demonstrate?

	Holds leaders accountable for ethical behavior	Promotes ethics without prompting	Models values-based behavior	Engages the Chief E&C Officer while making strategic decisions	Considers managers' ethical behavior for performance reviews and as a prerequisite for promotion	Holds leaders accountable for owning E&C in their business areas
A&B	85%	67%	73%	58%	51%	62%
D&F	53%	40%	61%	43%	42%	49%

Our middle managers clearly know they are accountable for...

	Assessing E&C risk for their business and teams	Actively supporting the E&C program	Modeling values-based behavior	Dealing effectively with E&C concerns raised by their teams
A&B	74%	83%	73%	61%
D&F	48%	63%	61%	54%

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.

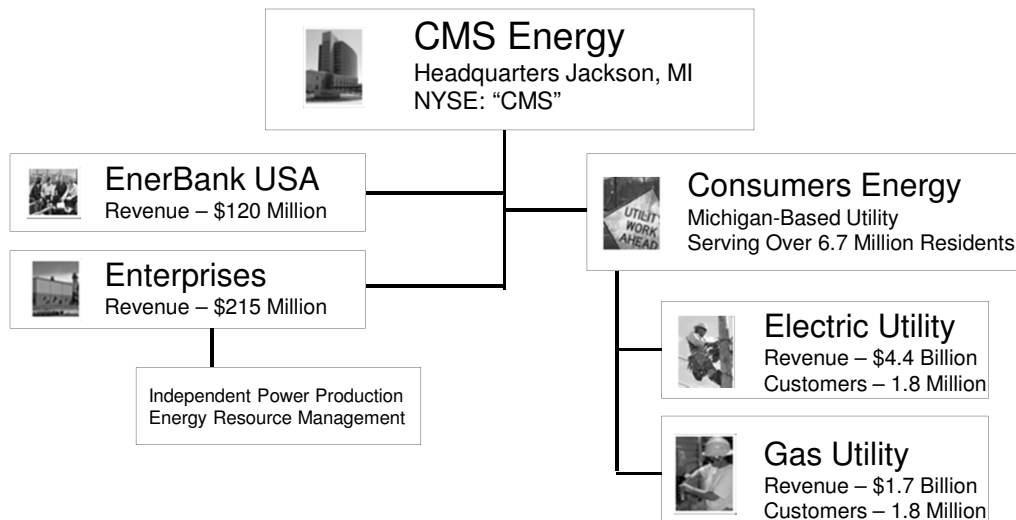
- **57% of people will go to their direct supervisor** when they observe misconduct

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



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Purpose



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

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Our Guiding Principles



Guiding Principle	Belief	Behaviors & Practices
We Act with Integrity	We believe integrity is a cornerstone of business success.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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 anticipate our customers' future needs.
We Cross the Finish Line Together	We believe success is achieved when we work together.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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.
It's a Great Place to Work	We believe in an environment where we can contribute our full potential.	<ul style="list-style-type: none"> 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 Pillars
Proper framework is in place to maintain an ethical culture and ensure regulatory compliance.

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Regulatory Compliance Pillar

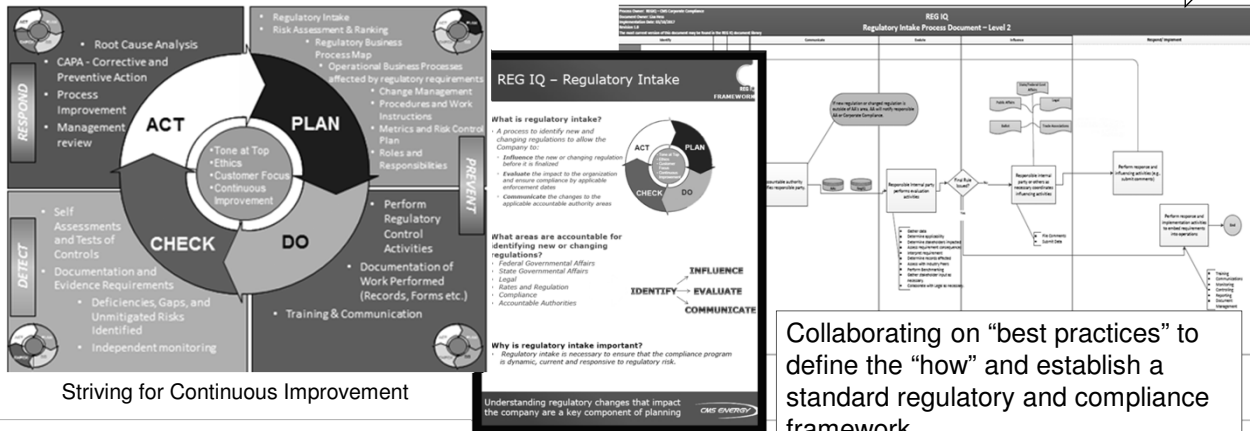
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CONSISTENT MODEL

FRAMEWORK – “What”

APPLICATION – “How”



Striving for Continuous Improvement

Centralized Oversight with Decentralized Accountability

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Measuring Effectiveness Through Program Maturity

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LEGEND

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

OVERALL PROGRAM MATURITY RISK SCORE = 3.1			Risk Performance Trending												YTD Avg
Category	Details		J	F	M	A	M	J	J	A	S	O	N	D	
Trending Regulatory Performance	Violation of federal/state rule, requiring follow up or corrective action within 45 days		4	3											3.5
Program Maturity	People	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, practice and technologies are implemented to reduce risk related to regulatory compliance. Resources exist that are relatively competent to ensure regulatory compliance.													3
	Process	Framework exist to implement an effective regulatory compliance program. Regulatory compliance activities including roles and responsibilities are clearly defined.		4	4										4
	Technology	Technology is used 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.		2	3										2.5
Regulatory Climate	A manageable level of regulatory scrutiny or political influence exists. The Company may have the ability to influence regulatory or political climate.		3	3											3

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Ethical Culture Pillar



Code of Conduct and Guiding Principles



Culture Surveys and Focus Groups



Ethics Awards



Ethics/Cultural Ambassadors
Executive Action Plans



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*