

2007

Code of  
**CONDUCT** AND  
Statement of **ETHICS**

The logo for CMS Energy, featuring the text "CMS ENERGY" in a stylized font inside an oval shape.

## UNDERSTANDING THE CODE'S APPLICATION

When you see the term “Company” used in this Code, it applies to CMS Energy Corporation and all affiliates controlled by CMS Energy Corporation and their employees.

## A MESSAGE

### FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Dear Fellow Employee:

This new edition of the CMS Energy Corporation Code of Conduct and Statement of Ethics (the “Code”) is designed to guide you toward ethical behavior in an increasingly complex and ever-changing business world. The Company takes seriously its responsibility and the responsibility of all employees to conduct business in compliance with applicable legal requirements, rules and regulations and to be good corporate citizens. We meet these responsibilities through ethical behavior, sound business practices and lawful activities. Our Company’s reputation depends on our ability to conduct business ethically.

The Code provides summaries of corporate policies critical to ethical issues that frequently arise – whether you are dealing with customers, vendors, shareholders, co-workers, governmental authorities, communities or any other group with whom you do business. The Code provides a template for the ethical behavior we expect within the Company. All employees are required to follow the Code, applicable laws, rules and regulations and all corporate policies as a condition of employment and to raise questions about compliance and report suspected violations to the chief compliance officer. If you supervise others, it is also your responsibility to see that they, too, follow these policies and procedures.

The Code is not simply a set of rules, but sets forth the guiding principles of our corporate culture of ethical behavior. We expect all employees to integrate the Code of Conduct into their daily behavior as employees of the Company.

Thank you for your continuing support of our compliance program.

A handwritten signature in black ink, appearing to read "David W. Joos". The signature is fluid and cursive, with a large loop at the end.

David W. Joos  
President and Chief Executive Officer

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# CORPORATE CREED

## □ CMS Energy's Guiding Principles

We believe these principles are essential to achieving success for our employees, our customers, our neighbors, our shareholders and our Company ...

**Safety** –

We put safety first in everything we do.

**Integrity** –

We conduct our business with honesty and fairness.

**Commitment** –

We keep the promises we make.

**Dedication** –

We strive to exceed the expectations of our customers and our other stakeholders.

**Intensity** –

We set challenging goals and apply creativity, teamwork and perseverance to achieve them.

**Diversity** –

We cherish our differences and treat everyone with respect and dignity.

**Cooperation** –

We nurture a positive, constructive work environment by supporting each other, treating each other with respect and celebrating our successes.

**Outreach** –

We improve the quality of life in our communities through leadership and volunteerism.

**Communication** –

We understand the importance of sharing information with our employees, customers and shareholders.

**Stewardship** –

We take pride in protecting precious natural resources including water, land and air.

## □ Reporting an Ethics Concern

An employee who has ethical questions or concerns may seek assistance from his/her supervisor or human resources representative, who may consult with subject matter experts (e.g., legal, human resources, security, etc.). Employees may also ask questions or report an ethics concern by contacting the Company's chief compliance officer ("CCO") or by calling an external toll-free anonymous hotline.

Company's Compliance Department: Employees may contact the CCO by phone at 1-800-CMS-5212 (1-800-267-5212) or 517-788-6260. Employees may also send letters or electronic mail to the CCO at:

Chief Compliance Officer  
 CMS Energy Corporation  
 One Energy Plaza  
 Jackson, MI 49201

**E-mail:** cmscompliance@cmsenergy.com

**External Hotline and Web Site:** Employees may report compliance concerns by calling an external toll-free anonymous hotline, 1-866-ETHICSP (1-866-384-4277) or accessing a Web site at [www.ethicspoint.com](http://www.ethicspoint.com). This service is available through a third-party provider, EthicsPoint, and representatives handle calls and reports 24 hours a day, 7 days a week. Callers' identities are kept confidential.

### *Are employees protected under "whistleblower" protection laws?*

- Employees are protected under federal and applicable state "whistleblower" protection laws when they provide information to governmental/law enforcement agencies or self-regulatory agencies about actions they reasonably believe violate laws, particularly violations of federal securities laws and Securities and Exchange Commission regulations prohibiting fraud in the purchase or sale of securities. When information is provided in accordance with the whistleblower statutes, the employee will be protected from discharge, other disciplinary action or any other type of discrimination.

In addition to the safeguards provided by the whistleblower protection laws, the Company also extends whistleblower protections to employees reporting allegations of ethical violations to the compliance department or the external third-party hotline. We are also vitally interested in being informed of any suspected violation of a public law, regulation or rule. Employees having concerns or questions in this regard are encouraged to discuss these concerns with their supervisor, human resources representative or the chief compliance officer.

## □ General Compliance with Laws, Company Policies and Corporate Ethics

It is the policy of the Company to conduct business activities in accordance with high ethical standards and fairness, and in compliance with all pertinent laws, regulations and Company policies. Each employee is responsible for complying with all laws and regulations, and Company policies and procedures that apply to your work as an employee of the Company. To assist you, some of the more important standards and requirements are discussed in this Code. In addition, you are responsible for familiarizing yourself with any additional legal requirements and Company policies that apply to your own work activities.

# PROFESSIONAL RELATIONSHIPS WITH OTHERS

## □ Equal Employment Opportunity

The Company does not, and will not, discriminate for or against any employee or applicant for employment or promotion because of age, sex, race, religion, creed, color, national origin, ancestry, height, weight, marital status, disability or covered veteran status. This Equal Employment Opportunity (EEO) Policy applies to all aspects of employment.

No employee or applicant will be coerced, intimidated, interfered with or discriminated against for filing a complaint or assisting in an investigation under this policy or the corresponding federal and state laws.

### *How is this policy implemented?*

■ In order to implement this policy, the Company will:

1. Follow employment procedures that assure equal consideration and opportunity for all applicants and employees
2. Investigate, upon request, the circumstances of any person who believes that he/she is the object of employment discrimination or harassment, and review the results of that investigation with that person. A person who believes that he/she is the object of employment discrimination or harassment may contact the corporate director of employee relations and EEO, the chief compliance officer, any human resources representative or a member of management
3. Implement its affirmative action programs having the long-term objectives of utilizing minority and female individuals within the Company in the same approximate proportion as minority and female individuals with the requisite skills existing in the labor force, and to employ qualified individuals with disabilities, qualified disabled veterans and other covered veterans
4. Make reasonable accommodations to the physical and mental limitations of an employee or applicant. Reasonable accommodations are those that do not impose an undue hardship on the conduct of the Company's business

### *Who has responsibility for the equal opportunity policy?*

■ Responsibility for ensuring proper and consistent implementation of the foregoing lies with the senior vice president of human resources. Under his/her direction, the corporate director of employee relations and EEO and the director of staffing and diversity will actively oversee employment practices in all departments of the Company, to ensure fulfillment of both the letter and spirit of this policy.

## □ Sexual Harassment

The Company is committed to providing a work environment that is free from discrimination, including sexual harassment. It continues to be the policy of the Company that sexual harassment to or by any employee is unlawful and will not be tolerated. All employees are responsible for maintaining a workplace free from such harassment.

### *What is sexual harassment?*

■ Generally, sexual harassment occurs when conduct of a sexual nature explicitly or implicitly affects an individual's employment, unreasonably interferes with an individual's work performance or creates an intimidating, hostile or offensive work environment. Sexual harassment has been defined by the Equal Employment Opportunity Commission as follows:

Unwelcome sexual advances, requests for sexual favors and other verbal or physical conduct of a sexual nature constitute sexual harassment when:

1. Submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment
2. Submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual
3. Such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile or offensive working environment

It is also against Company policy for a person functioning in a supervisory capacity to engage in sexual activity with an employee who is within his or her chain of command.

### *How are allegations of sexual harassment reported and investigated?*

■ Allegations of sexual harassment may be submitted in writing or verbally and will be fully investigated in a fair and timely manner. The Company will investigate allegations in as confidential a manner as possible. If an employee believes he or she has been subjected to sexual harassment, the employee is expected to bring the matter to the immediate attention of any of the following individuals:

- Corporate director of employee relations and EEO
- Chief compliance officer
- Human resources representative
- Member of management
- Employee's supervisor

Retaliation against employees reporting allegations of sexual harassment or cooperating with investigations is unlawful and will not be tolerated. Any employee engaging in an act of retaliation is subject to disciplinary action up to and including discharge.

### *Are supervisors subject to discipline for the actions of a supervised employee?*

■ Every supervisor employed by the Company is responsible to ensure compliance with this policy by those he or she supervises. A supervisor may be subject to discipline up to and including discharge for violations of this policy by a supervised employee, if it is found that the employee was not adequately instructed in the existence or seriousness of this policy or if the supervisor failed to take corrective action upon learning about misconduct.

*What are the penalties for violating this policy?*

- Any employee who violates the sexual harassment policy will be subject to disciplinary action up to and including discharge.

**□ Racial or National Origin Harassment**

The Company requires that our work environment remain free from unlawful discrimination. It continues to be the policy of the Company that employees have a right to work in an environment free from racial or national origin harassment to or by any employee.

Further, Title VII of the Civil Rights Act of 1964 requires an employer to maintain a working environment free of harassment on the basis of race and national origin. The Company will not tolerate racial or ethnic slurs to or by any employee. All employees are responsible for maintaining a workplace free from harassment.

*What is racial and national origin harassment?*

- Racial and national origin harassment occurs when conduct relating to an individual's race or national origin interferes with an individual's work performance or creates an intimidating, hostile or offensive work environment. Prohibited racial and national origin harassment includes the following:

Racial, ethnic slurs or other verbal or physical conduct relating to an individual's race or national origin constitute harassment when this conduct: (1) has the purpose or effect of creating an intimidating, hostile or offensive working environment; (2) has the purpose or effect of unreasonably interfering with an individual's work performance; or (3) otherwise adversely affects an individual's employment opportunities.

*How are allegations of racial or national origin harassment reported and investigated?*

- Allegations of harassment on the basis of race or national origin may be submitted in writing or verbally and will be fully investigated in a fair and timely manner. The Company will investigate allegations in as confidential a manner as possible. If an employee believes he or she has been subjected to harassment, the employee is expected to bring the matter to the immediate attention of any of the following individuals:

- Corporate director of employee relations and EEO
- Chief compliance officer
- Human resources representative
- Member of management
- Employee's supervisor

Retaliation against employees reporting allegations of harassment or cooperating with investigations is unlawful and will not be tolerated.

Any employee who violates the Racial or National Origin Harassment policy will be subject to disciplinary action up to and including discharge.

### *Are supervisors subject to discipline for the actions of a supervised employee?*

- Every supervisor employed by the Company is responsible to ensure compliance with this policy by those he or she supervises. A supervisor may be subject to discipline up to and including discharge for violations of this policy by a supervised employee, if it is found that the employee was not adequately instructed in the existence or seriousness of this policy or if the supervisor failed to take appropriate corrective action upon learning of misconduct.

## □ Drug-free Workplace

The Drug-Free Workplace Act of 1988 requires the Company to provide a drug-free workplace. The Company prohibits the unlawful manufacture, distribution, dispensation, possession or use of controlled substances in the workplace.

Employees must also comply with state and federal laws and regulations, including the Department of Transportation and Nuclear Regulatory Commission fitness for duty regulations. Compliance with this policy is a condition of employment applicable to all Company employees. Any employee who violates this policy shall be subject to discharge.

### *Is an employee assistance service available?*

- The employee assistance service is an externally contracted program (available to U.S.-based employees) that is designed to provide professional and confidential assessment and referral for Company employees for a wide range of issues, including alcohol and drug use. Employees are encouraged to use the program before issues or concerns of a personal nature affect job performance.

### *Are there notification requirements?*

- Employees must notify their supervisor and the chief compliance officer of any criminal drug statute convictions for a violation of this policy occurring in the workplace within five (5) days after such conviction. Employees who fail to notify the Company will be subject to discharge.

## □ Nonviolent Workplace

The Company is committed to providing a safe and secure work environment for its employees. To this end, the Company has instituted a “zero tolerance” policy as it relates to violence in the workplace. The Company will not tolerate acts of violence committed by or against employees.

### *What is the Company’s zero tolerance policy?*

- Employees are strictly prohibited from making threats or engaging in any acts of violence
- Violence prevention educational programs and procedures will be provided to employees
- All reported incidents will be investigated promptly
- Counseling will be offered to employees or their families, for those who have become victims of a crime while on the job

- Employees who make threats or engage in acts of violence will be subject to discipline, up to and including discharge
- Where appropriate, the Company will support the criminal prosecution of individuals found by investigation to have unlawfully threatened or caused injury to an employee
- Reasonable assistance will be provided to employee crime victims who become involved with the police and the criminal justice system as a result of their employment

#### *What action should employees take if confronted with violence?*

■ If there is an issue of personal safety or if an employee is confronted with violence or a threat of violence, the employee should immediately withdraw from the area, retreat to a secure location and report the incident immediately to the security command center maintained by asset protection services. When it is safe to do so, the employee should contact his/her supervisor, a human resources representative or the chief compliance officer.

#### *What are the penalties for violating this policy?*

■ Any employee who violates the nonviolent workplace policy will be subject to discipline up to and including discharge.

## □ Weapons Control

The Company prohibits the possession of any licensed or unlicensed weapon on Company property, in Company vehicles or while conducting Company business. Weapons include but are not limited to firearms, explosives, ammunition, pellet guns, paintball guns, tasers, bows/arrows and swords.

#### *Are weapons permitted under any circumstances?*

■ The CCO, in consultation with asset protection services, may approve weapon use that would otherwise be inconsistent with the policy, if the CCO determines that appropriate safety measures are in place.

Law enforcement officers in performance of their normal duties may carry firearms on Company property as well as security officers who are assigned to generating plants.

Firearms or explosives may also be used for industrial or animal control purposes if done under pre-approved Company procedures. Examples include, but are not limited to: use of firearms for slag removal at generating stations or use of pellet guns for pigeon control.

#### *Who should be notified if a violation is observed?*

■ If an employee is aware of or witnesses a violation of this policy, he/she should contact the asset protection services security command center immediately.

#### *What is the penalty for violating this policy?*

■ Any employee who violates this policy will be subject to discharge.

## □ Use of Alcoholic Beverages

The protection of the goodwill of the general public, the safety of our employees and the general public, and the protection of our plant investments are integral parts of our business. These objectives cannot be placed in jeopardy by the use of alcoholic beverages.

Employees covered by Department of Transportation and Nuclear Regulatory Commission fitness for duty regulations must also comply with those regulations.

### *What does the Company expect of its employees?*

■ An employee must not:

1. Drink alcoholic beverages during the hours of work when being paid by the Company, unless approved by a supervisor, officer or the chief compliance officer
2. Drink alcoholic beverages on Company property
3. Drink alcoholic beverages during a meal period if the employee is to return to work after the meal
4. Report for a call-out or scheduled work assignment evidencing any effects of alcohol consumption
5. Transport or have alcoholic beverages in Company vehicles, personal or other vehicles when in use for Company business

An exception to #2 is permitted for use of the South Haven Conference Center in circumstances not involving operation of the Company's nuclear generating plants. Any exceptions to this policy must be approved in advance by the chief compliance officer.

### *What are the penalties for violating this policy?*

■ Any employee who violates this policy will be subject to discipline up to and including discharge.

# RESPONSIBILITY FOR COMPANY ASSETS

## □ Confidentiality

The protection of the Company's confidential and sensitive information is the responsibility of all employees. Each employee must hold in confidence all sensitive information entrusted to her/him, except to the extent disclosure is authorized or your job duties require disclosure.

### *What is sensitive information?*

■ "Sensitive information" means all information which might be used to the disadvantage of the Company or any employee, customer, shareholder or officer of the Company and specifically includes all of the following:

1. Any of the Company's plans, strategies, tactics or organizational structure not announced to the public
2. Any financial data or results of the Company's operations not announced to the public
3. Any personal information regarding an employee or former employee of the Company including addresses, phone numbers, pay grades, salaries, benefits information, performance evaluations, Social Security numbers, personal health information and disciplinary information
4. Any information in the Company's possession protected by the terms of a confidentiality agreement or other contract or identified as confidential by a supervisor or officer
5. Any customer or shareholder records or information inappropriately accessed or distributed including billing records, credit reporting scores or Social Security numbers

All other information received during the course of an employee's work is presumed sensitive unless and until demonstrated otherwise, and should be communicated only if doing so is consistent with the normal performance of one's job duties, or has been authorized or instructed by a supervisor or officer.

### *What actions should employees take when sensitive information is disclosed?*

■ If an employee is unsure whether his or her job duties permit disclosure of particular information, the employee should consult his or her supervisor or the chief compliance officer. In the event sensitive information is disclosed to the public, employees must contact their supervisor and the chief compliance officer immediately.

## □ Intellectual Property

All Company-related new developments or inventions conceived by an employee during the term of employment are the property of the Company. “New developments and inventions” include inventions of any type or kind, new processes, new designs, improvements of existing inventions or designs, or other useful ideas, including but not limited to computer systems design and software, and engineering designs or processes. Any new development or invention, which occurs as a result of, arises out of, or otherwise relates to an employee’s work for the Company is considered a Company-related new development or invention.

### *What are the disclosure requirements?*

- The employee must promptly and fully disclose all new developments or inventions made or conceived during the term of employment. Disclosure must be made to the employee’s supervisor or human resources director. If the employee believes that the new development or invention is not Company-related, such claim must be made at the time of disclosure.

Each employee or former employee must inform the Company of any patent applications which he or she files, or which are filed on his or her behalf, on any new developments or inventions made during such employee’s term of employment, and of any licenses or agreements pertaining to such new developments or inventions.

### *Does the employee assign rights to the Company?*

- By accepting employment or continued employment, the employee agrees to assign to the Company all Company-related new developments and inventions.

The employee may retain title to any new development or invention that is not Company-related, with a perpetual royalty-free shop right automatically being extended to the Company for use by itself and its affiliates.

The employee may not assign or license rights to any Company-related new development or invention, except to the Company.

### *What are the requirements related to Company-filed patent applications?*

- Each employee must assist the Company and its nominees in every proper way (at Company expense) to obtain, for the Company’s own benefit, patents for Company-related new developments and inventions. Such new developments and inventions will remain the property of the Company or its assignees, whether or not patented.

### *Does the Company have copyright title to material created by an employee?*

- Title to all copyrightable material created by an employee within the scope of his or her employment shall belong to the Company. All such material is considered “Work Made for Hire” and title automatically vests in the Company.

## □ Maintaining Effective Financial Controls

It is and has been the policy of the Company to maintain an effective system of internal controls to safeguard the Company's assets and to ensure accurate recording of transactions, preparation of reliable financial reports, and disclosure of all required information in its reports to the Securities and Exchange Commission and other regulatory and governmental agencies.

The Sarbanes-Oxley Act of 2002, a United States federal law, has expanded and clarified Company responsibilities in this regard.

### *What are effective internal controls?*

- Effective internal control has five components:
  - **Control Environment:** The control consciousness of our employees provides discipline and establishes the foundation for the other components of internal control
  - **Risk Assessment:** Our business units must identify and manage the relevant risks to the achievement of our objectives
  - **Information and Communication:** Our systems must identify, capture and exchange relevant information in a form and time frame that enable our employees to carry out their responsibilities
  - **Control Activities:** Our business units must establish and maintain policies and procedures that help ensure that management's directives are carried out
  - **Monitoring:** Our business units must evaluate the quality of internal control performance over time and react to changes in risks and performance

### *What accounting controls has the Company implemented?*

- Accounting controls are embedded in the operating procedures and practices of every area within the Company. They are generally documented in various policy and procedure manuals throughout the Company and include the following:
  - **Authorization for Expenditures:** Transactions are executed in accordance with management's general or specific authorization
    1. Inclusion in the appropriate business unit or project budget
    2. Approval by an authorized person
    3. Prohibition of payments or any transfer of value to support illegal or inappropriate activity
  - Transactions are recorded as necessary to (a) permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements and (b) maintain accountability for assets
    1. Only authorized and properly supported transactions are processed
    2. Accuracy of amount and account are verified
    3. Summarization of transactions is complete and accurate
  - **Access to Assets and Accountability:** Company assets need to be safeguarded
    1. Duties relating to responsibility for physical control of assets are segregated from the related accounting
    2. Assets are physically verified periodically

### *Who has responsibility for effective controls?*

■ The Company's chief executive officer and chief financial officer have final responsibility for the Company's financial reporting and for establishing the internal processes that ensure accurate, complete and timely disclosure of all required information. They attest to the adequacy of these processes and controls to the audit committee of the Company's board of directors.

Supervisory employees have responsibility for assuring that effective internal controls in their areas are followed as prescribed. All employees have the responsibility for executing control procedures which are particular to their job responsibilities. When deviations are disclosed, the supervisor must take action to ensure compliance.

All employees, including particularly first-line supervisors, are responsible for constant monitoring for identification of new controls, as well as bringing any apparent weakness in the system of accounting controls, circumvention of accounting controls, failures to follow good accounting and budgeting practices or suspicious or unusual accounting or budget entries to the attention of the chief compliance officer, the corporate controller or internal audit.

## □ Use of Company Assets Including Information Technology Assets

It is the responsibility of every employee to protect Company assets from loss, theft and misuse. Company assets include information, records, funds, equipment, supplies, facilities, property and materials.

Employees shall use Company assets in a safe and efficient manner and in compliance with applicable laws and regulations. Software must be used in compliance with software licenses. Downloading or use of unlicensed software is prohibited.

Information technology assets must be kept secure and used in accordance with all security requirements. The intentional misuse of Company computer systems to change, distort, damage or destroy Company records or network infrastructure is prohibited. Employees shall not use Company assets or records for personal gain or for the benefit of others.

### *May employees use Company assets for personal use?*

■ All Company assets, including communications and computer systems such as telephones, voice mail, electronic mail and computer systems, must be used primarily for legitimate business purposes.

To the extent that business processes are not detrimentally affected, employees may reasonably use Company telephones, electronic mail, Internet, intranet, faxes and computers for limited and occasional personal reasons as long as the use is appropriate and does not violate Company policies or applicable law. Supervisors may establish additional limits on the use of Company assets for personal reasons by employees whom they supervise.

The Company has the right to monitor and review the information contained in such assets. Employees must never use Company assets to support a personal business or prohibited political activities.

### *Could an employee be subject to criminal prosecution for misuse of Company assets?*

■ An employee misusing Company assets may be subject to criminal prosecution in addition to the Company's internal disciplinary procedures.

*Where should employees direct questions?*

■ Please direct any questions about the permissible use of Company assets to your supervisor or the chief compliance officer. Questions about the permissible use of computing devices and communications devices may be directed to your supervisor, IS&T security or the chief compliance officer. Further information may be obtained by contacting IS&T security.

## □ Use of the Internet and Electronic Mail

*What are the Company's requirements for employee use of the Internet?*

■ Employees must use the Internet in a safe and secure manner. Internet use must be primarily for conducting Company business and in compliance with other Company policies and procedures, and laws.

Accessing sites that contain sexually explicit or pornographic materials is strictly prohibited. The Company reserves the right to monitor all Internet usage.

Employees using the Internet must use their own access ID and passwords and are prohibited from disclosing such information to others. The creation of any Company presence on the Internet is prohibited, unless proper authorization is obtained.

*Will the Company revoke an employee's Internet access?*

■ Internet access may be revoked at the request of department management, upon termination of employment, a violation of the Company's policies or procedures, or a violation of the policies of service providers in the United States or other countries and the applicable laws and regulations of such countries.

*What are the Company's requirements for employee use of electronic mail?*

■ Employees may be granted Company electronic mail access using the Company's standard software solutions. Such access is provided primarily for conducting Company business and must comply with other Company policies and procedures and state and federal laws. Specific prohibitions include the following:

- Sending obscene, profane or harassing messages
- Conducting activities referenced in the Outside Employment and Private Business policies
- Creating or forwarding electronic junk mail

*Will the Company monitor the use of electronic mail?*

■ An employee's use of the Company's electronic mail system may be monitored at any time by the Company without specific prior notice to the employee. (The publication of this policy constitutes notice to all employees that electronic mail systems may be monitored without further notice.)

*Where will employees find additional Company policies and resources?*

■ Please direct any questions about the permissible use of the Internet and electronic mail to your supervisor, IS&T security or the chief compliance officer. Further information may be obtained by contacting IS&T security.

## □ Records Management

It is the responsibility of every employee to know and comply with the Company's records management policies to ensure that Company business records are maintained, stored and when appropriate, are destroyed.

### *What is a Company business record?*

- Business records are defined as any record related to Company operations or decisions that need to be maintained for operational, tax, accounting, and legal or regulatory compliance purposes in accordance with an approved retention schedule. Business records may exist as paper documents or some other format (e.g., computer files, microfilm, audio or videotapes, etc.).

### *What are the requirements for destroying business records?*

- Business records should only be destroyed when the record is no longer needed for the business purpose and the mandatory retention period has expired. As necessary, the general counsel or other legal counsel may issue a hold on the destruction of Company business records. All employees must fully comply with any legal hold order.

### *Who should employees contact for additional information on the Company's records management program?*

- Employees should contact the corporate records department for information regarding the Company's records management program. Questions regarding whether a document is subject to a legal hold should be directed to the general counsel.

# CONFLICTS OF INTEREST

## *When does a conflict of interest exist?*

■ A conflict of interest exists when an employee has a choice between acting in his or her personal interests or the interests of the Company. Employees must act in the best interests of the Company and in compliance with legal and ethical requirements. Employees' actions and interests should not conflict with, or appear to conflict with, the interests of the Company. Employees should also refrain from Company-related actions or favors that involve individuals with whom they have a personal relationship (e.g., children, parents, siblings and friends).

## □ Financial Interests in Vendors, Suppliers and Competitors

Employees may only hold an interest or make an investment in a vendor, supplier or competitor of the Company ("VSC") as permitted by this policy. Any investment must not cause embarrassment to the Company. Any employee who has an investment in a vendor or supplier must not participate in procurement decisions regarding that vendor or supplier.

## *What investments or financial interests are permissible?*

- **Competitors:** An unlimited investment or financial interest in a competitor is allowed if the investment or financial interest is held through a publicly traded mutual fund or is held in an employee's retirement account established with a prior employer or was made before the employee was employed by the Company. An employee, other than an officer, may make an investment of up to \$25,000 in the stock of a competitor that is publicly traded. Officers are not permitted to make additional investments in competitors
- **Vendors and Suppliers:** Employees must not be involved with procurement decisions regarding any vendor or supplier in which they have an investment. A supervisor, manager or the chief compliance officer have the discretion to establish specific limits upon employees where there is a risk of a conflict of interest

## *Where is the list of competitors published?*

■ By December 15 of each year, the compliance department will publish a list of competitors in which financial interests are prohibited during the following calendar year. The competitor list will be available on the Code of Conduct link on the intranet.

## *Are family members required to comply with this policy?*

■ This policy applies to all employees and their immediate family members. An "immediate family member" is an employee's family member living in the same household.

## *What are the annual disclosure requirements?*

■ All officers must disclose to the chief compliance officer their investments in VSCs annually. Employees other than officers must disclose to the compliance department and their supervisor by January 21 each year any investments exceeding \$25,000. The annual disclosure will furnish the amounts and other pertinent details of each interest which occurred or was held during the preceding calendar year. No disclosure of interests or investments in publicly traded mutual funds or 401(k) accounts is required.

### *May the chief compliance officer grant exceptions or impose additional requirements?*

■ The CCO may establish specific additional requirements after receiving annual disclosure information or if an employee's investment appears, at the discretion of the CCO, to create a high risk of a conflict or embarrassment to the Company. The CCO may also grant exceptions to this policy in cases of hardship, particularly where an employee faces a hardship because of investments made under prior versions of this code, so long as the general purposes of the policy are still being served.

## □ Private Business

Employees may have an interest (ownership, investment, employment, or other) in a private business if they satisfy the provisions of this policy. Participating in a private business must not interfere with or be in conflict with an employee's work for the Company. Employees are also prohibited from making or influencing business relationships between the Company and private businesses in which the employee has an interest or has a personal relationship that creates the appearance of a conflict of interests.

### *What are the specific limitations?*

1. Employees may not have an interest in a private business in competition with the Company
2. Employees may not use Company time or resources for private business activities
3. Employees must excuse themselves from procurement decisions involving private businesses in which they or individuals with whom they have a personal relationship (e.g., relatives or personal friends) have interests
4. Businesses in which an employee or a member of the employee's immediate family have a financial interest (ownership or investment) may become a vendor to the Company only if supported by a strong business demonstrating benefits to the Company and the unavailability of alternatives with comparable benefits. This vendor relationship must be approved in advance by the employee's supervisor, department director or manager, and the chief compliance officer

### *What are the annual disclosure requirements?*

■ Upon obtaining any interest in a private business which is doing business with, or in competition with, the Company, employees must disclose such interest or investment to the compliance department and their supervisor. Employees must report to the compliance department and their supervisor by January 21 of each year any interests in private businesses doing business with, or in competition with, the Company.

The disclosure report must include the name of the entity, type of entity (sole proprietorship, partnership, limited liability Company, corporation, etc.), resident state of the entity, a description of the interest held or dollar amount of the investment and a description of the business conducted between the private business and the Company, if any.

## □ Initial Public Offerings and Investment Opportunities

Preferential allocations of stock or an offer to participate in an Initial Public Offering (IPO) from a company with whom CMS either conducts or could be expected to conduct business can create or could reasonably appear to create a conflict of interest. Such situations should be avoided and disclosed to your supervisor and the chief compliance officer. The chief compliance officer shall make a determination whether the circumstances create a conflict.

## □ Purchases and Sales of Company Securities

Because the Company has publicly traded securities, there are important restrictions imposed on the Company, as well as all employees, under state and federal securities laws regarding purchases and sales of the Company's publicly traded securities. Compliance with these restrictions is essential. Violations may subject the Company and the offending person to significant criminal penalties and civil liabilities.

### *What restrictions are applicable to the Company's securities?*

■ Employees and family members living in the same household may not purchase or sell the securities of the Company at any time that they are aware of any material nonpublic information relating to the Company. Similarly, they may not purchase or sell the securities of any other company at any time that, in the ordinary course of such employee conducting the Company's business, they become aware of any material nonpublic information relating to that other company.

### *What is considered material nonpublic information?*

■ Material information will be considered "nonpublic" until two full business days after it has been disclosed in a broad and nonexclusionary public distribution. Also, information is generally considered "material" if a reasonable investor would consider it important in making an investment decision regarding the Company's securities. Employees should assume that information regarding the following topics is "material" for purposes of this policy:

- Earnings and other financial information, including forecasts of such information
- Significant investments, mergers, acquisitions, dispositions and joint ventures
- Announcements and updates concerning significant development and divestiture projects
- Significant Company or affiliate financings
- Significant developments regarding customers, partners, suppliers, executive officers and directors
- Dividends, stock splits and other important events regarding the Company's securities

Information which may not appear to be material from the perspective of an individual may in fact be material in light of information or plans known to others. Unless employees are sure that information is immaterial, they should contact the Company's general counsel or corporate secretary for guidance.

### *What restrictions are related to trading the Company's securities?*

■ Employees and family members living in the same household may not at any time engage in "trading" the Company's securities or sell "short" the Company's securities or buy or sell puts or calls or other derivative securities relating to the Company's or an affiliate's securities. "Trading" means a combination or pattern of substantial or continuous buying and selling of the Company's securities with the primary objective of realizing short-term gains.

### *Do the restrictions apply to indirect purchases of the Company's securities?*

■ The restrictions contained in this policy do not apply to indirect periodic purchases of securities made under a standing election to invest in Company securities under the Company's retirement or other benefit plans, if available, as long as the election is made at a time the employee is not aware of material nonpublic information. Similarly, these restrictions do not apply to purchases or sales made under a prearranged contract, instruction or plan effected in accordance with the safe harbor provisions of SEC rules where available.

## □ Gifts (Meals, Trips and Other Gratuities)

Employees may accept or give gifts, other than cash, that are reasonable in amount and consistent with customary business practices occurring in the normal course of business and primarily for a business-related purpose. Employees are prohibited from accepting or giving gifts that could influence, or be perceived to influence, business decisions. Employees must also obtain the necessary approvals stated in this section.

### *What is a “gift”?*

- “Gift” is defined as anything of value, such as meals or lodging which are paid for by a third party for which the Company is not billed, discounts, special privileges, advantages, rights not available to the general public, transportation costs, paid admission to events such as sporting events or concerts, golf outings, holiday gifts, entertainment, vendor or supplier familiarization trips, or any other gratuity.

### *Are there additional factors employees and/or supervisors should consider when accepting, giving or approving gifts?*

- Giving or accepting gifts must be in compliance with applicable laws or regulations, and giving gifts must also comply with any policy that applies to the person receiving the gift. A gift must not be extravagant, embarrassing to the Company or jeopardize its image or reputation. Gifts of cash or cash equivalents (e.g., stock) are prohibited. Loans from vendors (other than banks made in the normal course of the bank’s business) are prohibited. Solicitation of gifts is prohibited.

Employees must follow the Code of Conduct even in countries with less restrictive business practices. If there are circumstances where it would be culturally inappropriate to refuse a gift, the employee should accept the gift and advise his or her supervisor and the chief compliance officer, and they will determine the best course of action.

There are special rules relating to the giving or providing of gifts to government officials. See Sensitive Payments and Foreign Corrupt Practices Act sections.

### *Are family members required to comply with this policy?*

- This policy applies to all employees and their immediate family members. An “immediate family member” is an employee’s family member living in the same household.

### *What approvals are required?*

- The necessary approvals are triggered by the value of the gift. The value of a gift should be based upon a reasonable estimate of its fair market value. The value of a gift consisting of several individual items that are “packaged” together is the value of the entire package. An example of a package gift would be a trip where a vendor pays for the transportation, meals, lodging, etc.

**Approval Table:**

<b>Value of Gift</b>	<b>Approvals Required</b>
<i>Gifts with fair market value less than \$50</i>	No approval required  (Gift must still comply with general requirements of this policy.)
<i>Gifts with fair market value between \$50 and \$300</i>	Written approval required by supervisor with notice to the chief compliance officer, before the gift is accepted unless doing so is not practical under the circumstances, in which case approval must be shortly after the gift is received or accepted.  (Approval may be by e-mail. Supervisor and employee are required to keep records of all approvals including e-mail approvals for audit by the compliance department.)
<i>Gifts with fair market value greater than \$300</i>	Must be preapproved in writing by supervisor and chief compliance officer.
<i>"Trips," which are defined as gifts involving travel expenses (transportation, meals and/or lodging) and "Sponsored Events," which are defined as activities (golf events, sporting events, etc.) combined with business meetings or other business purposes paid for by a third party.</i>	The general approvals stated in this approval table also apply to this type of gift; however, the value paid by a third party for any trip or sponsored event shall not exceed \$5,000. If advance approval is required, employees must complete and submit the form available from the compliance department.

*Is there an annual limit on the amount of gifts an employee may receive?*

- Annually, no employee may accept gifts with an aggregate fair market value exceeding \$1,500. Trips and sponsored events, although they follow the same approval process, are not included in the annual limit.

*What are the annual disclosure requirements?*

- All employees must disclose to the compliance department and their supervisor by January 21 each year all gifts received or given with a fair market value equal to or exceeding \$50. The annual report must include all information requested by the compliance department, including but not limited to the name of the gift giver (or recipient), the date the gift was received (or given), the fair market value of the gift, and the name(s) and date(s) of approvals obtained.

**□ Corporate Risk Policy**

The Company has a corporate risk policy approved for its business by the board of directors. The Corporate Risk Policy is comprised of four policies: Energy Commodity Risk Policy, Commodity Credit Policy, Interest Rate Risk Policy and Foreign Currency Exchange Risk Policy.

*What are the requirements of employees regarding the risk policies?*

- Employees participating in any business activities subject to these risk policies have the duty to always keep themselves informed regarding the current policy parameters and to conduct business on behalf of the Company in compliance with the policies. The chief risk officer can advise any employee about whether the corporate risk policy applies to their position within the Company or a particular transaction in which the employee is engaged.

## □ Conflicting Business Opportunities, Fair Dealing, Full Disclosure and Executive Related Party Transactions

### *What is a conflicting business opportunity?*

■ Employees must not take or use for their benefit any business opportunity which in fairness belongs to the Company, nor misuse any information to which they have access because of their position. For example, employees must not acquire by purchase or lease any real estate interests (including mineral interests) in which it is known the Company is or is likely to be interested.

### *What are the requirements of fair dealing?*

■ Employees must not take advantage of anyone through lying or misstating facts or any other unfair dealing practice.

### *What are the requirements of disclosure and reporting?*

■ Employees, including particularly the chief executive officer and all financial professionals, shall resolve ethically any actual or apparent conflicts of interest. They must comply with all generally accepted accounting principles, laws and regulations. They shall also be responsible for disclosing full, fair, accurate, timely and understandable information in public communications, reports and documents made by the Company, including without limitation reports and documents filed with, or submitted to, the Securities and Exchange Commission, Michigan Public Service Commission and the Federal Energy Regulatory Commission.

### *What is an executive officer related party transaction?*

■ Pursuant to SEC regulations, “Related Parties” include certain directors or executive officers, beneficial owners of 5 percent or more of Company common stock, family members of such persons, which includes any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of such director or executive officer and entities in which such persons have a direct or indirect material interest. A related party transaction occurs when a related party enters into a transaction in which the Company is participating, the transaction amount is more than \$10,000 and the related party will acquire a direct or indirect material interest (“Related Party Transaction”).

### *What are the related party transaction reporting and approval requirements?*

■ Related party transactions must be pre-approved by the audit committee of the board of directors. Any related party transaction involving more than \$120,000 must be disclosed in the Company’s annual proxy statement. In drawing its conclusion on any approval request, the audit committee should consider the following factors:

- Whether the transaction involves the provision of goods or services to the Company that are available from unaffiliated third parties
- Whether the terms of the proposed transaction are at least as favorable to the Company as those that might be achieved with an unaffiliated third party
- The size of the transaction and the amount of consideration payable to a related party
- The nature of the interest of the applicable related party
- Whether the transaction may involve an actual or apparent conflict of interest, or embarrassment or potential embarrassment to the Company when disclosed

This policy does not apply to change in control agreements or other executive employment contracts; however, such contracts are subject to board approval under a separate policy. Any approval of a related party transaction by the audit committee shall be immediately communicated to the general counsel if he/she was not otherwise informed of the approval at the time it was granted.

*Who should executive officers contact with questions regarding related party transactions?*

■ Any questions regarding whether a particular transaction is a related party transaction should be submitted to the general counsel, who is responsible for making an initial determination after obtaining any necessary advice from securities counsel. Questions regarding related party transactions may also be directed to the chief compliance officer or the corporate secretary.

## □ Outside Employment

Employees may obtain outside employment, as long as such employment is in accordance with this policy. “Outside employment” includes working as a contractor, consultant or employee of an individual or entity other than the Company, working for or in a private business (see Private Business) or serving as an officer or director for any organization.

*What are the restrictions on outside employment?*

■ Outside employment must not negatively impact the employee’s work, cause embarrassment, jeopardize the interest, use proprietary information, interfere with the operations or adversely affect the image of the Company. Employees are prohibited from obtaining outside employment with any competitor of the Company. Any employment with a vendor or supplier of the Company must meet the general requirements of this rule, and must not relate to the activities of the supplier or vendor in supplying goods or services to the Company (except as may be authorized in the Private Business policy of this Code).

Outside employment must not conflict with, or appear to conflict with, the energy-related interests of the Company. Employees must ensure that their activities related to outside employment are not perceived as acting on behalf of the Company. Use of Company time, resources or information for outside employment is prohibited.

Finally, no employee shall solicit orders for goods or services, directly or indirectly, either for themselves or as employees, partners, agents or otherwise, of any person, firm or corporation.

*What outside employment activities are permissible under this policy?*

- Employees are encouraged to participate in:
1. Industry trade and professional associations
  2. Charitable and religious organizations
  3. Governmental organizations, boards, commissions, committees and councils, including elective and appointed political offices at local, state and national levels
  4. Industry research organizations

All employees, including professional employees, are permitted to obtain teaching positions with educational institutions.

*What are the limitations on trade and professional employees?*

■ Professional employees are prohibited from obtaining outside employment in their field of expertise with the Company if doing so creates a risk of legal exposure in the opinion of the general counsel. The general counsel also has the authority to create or impose conditions on any approval of outside employment by a professional or trade employee to avoid legal exposure. Such employees include persons such as attorneys, accountants and engineers rendering services in their area of profession. Trade employees would include, but are not limited to, electrical workers, appliance repair or service employees with technical expertise. For example, an attorney must not provide legal counsel to any individual or entity other than the Company.

*What approvals are required?*

■ Prior written approval by the employee's supervisor and department director and manager, or of the chief compliance officer, is required for outside employment other than charitable and religious organizations. In addition, any outside employment by a professional or trade employee in his or her area of profession or trade must be approved by the general counsel.

*What are the penalties for violating the outside employment policy?*

In addition to other discipline that may apply, an individual who violates this policy is subject to losing the privilege of outside employment.

**□ Donations for Charitable Events**

The Company has detailed policies and processes in place to support its donation efforts to charitable organizations. Employees are prohibited from donating Company services, time or dollars for charitable events that are not properly approved by the corporate giving department.

*What charities are employees allowed to support on Company time?*

■ Employees may solicit other employees, vendors and suppliers for any corporate-sponsored charitable event (e.g., United Way). Employees may not solicit for any charitable organization that has not been previously approved by the corporate giving department and supported by the employee relations department.

*Are there any restrictions on the charitable solicitation process?*

■ Employees may only solicit vendors and suppliers for minimal contributions for any corporate-sponsored charitable event. Any such contribution in excess of \$1,000 must be handled directly by the corporate giving department.

# PARTICIPATION IN OUR COMMUNITY

## □ Employee Participation in Political Activities

The Company encourages employee participation in the political process, but generally does not permit employees to utilize business time or resources of the Company to participate in political activities. Exceptions are stated below. Further, employees must comply with applicable legal, ethical and Company requirements, and avoid conflicts of interest when serving on public bodies or in an elected position.

### *May nonunion employees participate in the Company political action committee (PAC)?*

- Yes, employee participation in the Company's PAC, Employees for Better Government (EBG), is voluntary and coercing or pressuring any employee to participate in or contribute to EBG is prohibited. Employee participation in PAC activities should primarily be done on his/her own time and, unless determined otherwise by executive management, at his/her personal expense.

The EBG must conduct all activities in accordance with state and federal law as well as Company policies. The chief compliance officer and the legal department must be consulted to ensure such compliance.

### *What are the requirements for employee participation in outside political activities?*

- The Company may grant reasonable time off without pay when requested by the employee for campaigning for public office or in support of others seeking office.

Employees seeking elected or appointed office must obtain prior written approval from their supervisor to run for or seek appointment to public office and, once elected or appointed, for reasonable time off for attendance at meetings in connection with their duties.

### *What approvals are required for campaigning or accepting public office?*

- An employee who has assumed public office must refrain from action in any situation where they may have a conflict of interest because of their employment by the Company or in matters which materially affect the Company.

To avoid a potential conflict of interest, employees campaigning for or accepting candidacy or appointment to public office shall obtain prior written approval from their supervisor and the chief compliance officer.

### *What is required of an employee-officeholder when confronted with a conflict of interest?*

- Employees elected or appointed to public office sometimes must decline to participate in certain decisions as officeholders due to their employment with the Company. In general, an employee serving in a governmental position should not participate in decisions that directly affect the Company.

### *Where should employees direct questions?*

- Campaign finance laws and the regulation of political activity are complex. Employees must direct questions regarding political activity to their supervisor, the governmental affairs department, the legal department or the chief compliance officer.

## □ Corporate Political Activities

Both federal and state laws impose limitations on a corporation's political activities.

### *Where is this policy applicable?*

- This policy applies only to the United States-based locations of the Company. Specific policies may also be adopted at other Company locations. Employees who wish to engage in political activities at Company locations outside the United States must consult with their local human resources department or plant manager to assure compliance with local requirements, if applicable.

### *What are the limitations on corporate contributions to candidates or political parties?*

- Corporations are prohibited from making contributions to candidates directly or through political parties for the purpose of influencing the outcome of an election (hard money contributions). A corporation cannot sponsor candidate fund-raisers and cannot use its resources to subsidize fund-raisers (e.g., facilities, food, beverage, invitations and mileage reimbursement). The Company prohibits the contribution of Company funds, assets or resources to any candidate.

The Company is also prohibited from contributing money, goods, services or property to candidates and, with limited exceptions, national or state political parties. Employees interested in contributing to candidates or political parties must ensure that Company assets and resources are not used.

If corporate officers or employees plan, host or attend fund-raising events, they must do so on their own time and using their own resources. Political Action Committees ("PACs") and individual employee-contributors may provide financial support to campaigns to the extent allowed by federal and state campaign finance laws.

### *What type of corporate contributions are permissible?*

- The Company is permitted, along with individual employees and PACs, to contribute to state and local ballot question committees, voter education initiatives and certain other political expenditures as approved by the legal department, executive management and, in certain cases, the board of directors. The Company is also permitted to engage in voter registration and get out the vote activities, subject to senior management approval. The Company may sponsor grassroots activities and such activities can be conducted on work time using Company resources.

# COMPLIANCE WITH LAWS, RULES AND REGULATIONS

## □ Regulatory Requirements

All employees must comply with applicable statutory and regulatory standards of regulatory agencies that regulate the Company's business, including the Federal Energy Regulatory Commission, the Michigan Public Service Commission and other regulatory agencies. Company policies on employee compensation, promotion and discipline will reflect such compliance.

### *What are the requirements of employees regarding regulatory compliance?*

■ Employees participating in any business activities subject to statutory or regulatory standards have the duty to always keep themselves informed regarding the relevant rules and to conduct business on behalf of the Company in compliance with such requirements to avoid any misconduct which might violate those standards. If any suspected violation or misconduct is suspected, each employee has the responsibility to report the matter to his immediate supervisor and the chief compliance officer or the vice president of utility law and regulation. In the investigation of any suspected violation or misconduct, every employee will cooperate fully with the regulatory agency and the Company's internal investigation team.

### *How will investigations of alleged violations occur?*

■ The chief compliance officer, advising with department management or officers as needed, will oversee any investigation related to regulatory standards. One or more persons, either internal or external to the Company, with full knowledge of the relevant circumstances of the alleged misconduct will be assigned to cooperate completely with the regulatory agency in the investigation, remediation and restitution of the situation.

### *Where may employees direct questions regarding regulatory compliance?*

■ The chief compliance officer or the vice president of utility law and regulation can advise any employee about whether and how regulatory compliance standards apply to his or her position within the Company or to a particular transaction in which the employee is engaged.

## □ Sensitive Payments

The Company prohibits sensitive payments, including sensitive payments to employees and their families related to business transactions involving the Company. Employees are prohibited from authorizing or making sensitive payments.

### *What are sensitive payments?*

■ Sensitive payments include the following:

- Payments defined as such in a written policy and procedure
- Any direct or indirect bribes, kickbacks or other questionably legal, illegal, improperly recorded or erroneously deducted (for federal income tax purposes) payments, regardless of form, whether in money, property or services, for the purposes of obtaining any favorable treatment in securing business or to otherwise obtain special concession or to pay for favorable treatment for business secured or for special concessions already obtained in the past and which are made:
  1. To any government official or employee, domestic or foreign, whether on the national or a lower level, such as state, county or local (in the case of a foreign government, also including any level inferior to the national level) and including regulatory agencies or governmentally controlled businesses, corporations, companies or societies
  2. To any person, company or organization, or any representative of any person, company or organization

## □ Foreign Corrupt Practices

All employees must conduct business in a way that assures compliance with the Foreign Corrupt Practices Act (“FCPA”), a United States law that prohibits corruptly influencing foreign officials. In general terms, the FCPA prohibits making or authorizing, or offering to make or authorize, a payment or gift to certain persons, generally foreign officials, in order to corruptly influence that official.

The FCPA has broad coverage and includes not only direct payments or gifts of goods or services, but also indirect payments made through a consultant or agent. Because the FCPA is broad and difficult to apply, it is very important that employees and agents follow the approval requirements in this section when making payments or gifts to foreign officials. Compliance with this section will assure that payments or gifts are properly reviewed by legal counsel to avoid violations of the FCPA.

Severe criminal and civil penalties are imposed for violating the FCPA, which apply to both individuals and the Company or companies involved in any violation.

### *What is a foreign official?*

■ The term “foreign official” encompasses more than merely persons who work for, or serve in, foreign governments. It also includes any officer or employee of a foreign government or any department, agency, or instrumentality of that foreign government, or of a public international organization, or any person acting in an official capacity for or on behalf of such government, department, agency or instrumentality, or for or on behalf of any such public international organization. The term “foreign official” also includes a member of the immediate family of a foreign official.

*Who is subject to this policy?*

■ The Company's FCPA policy applies to every employee, agent and contractor working on its behalf with foreign officials. It is expected that all employees, agents and contractors will properly account for the use of Company funds and assets, including funds such as petty cash. The Company will take appropriate action in its foreign activities, including accounting principles, contract provisions and training, to ensure that its employees, agents, contractors and partners assist the Company in meeting its responsibilities under the FCPA.

*Are certain types of payments to foreign officials permitted?*

■ The FCPA prohibits payments which are made to corruptly influence a foreign official. Other types of payments to governments or foreign officials, such as payments under a contract for goods in the ordinary course of business, are not prohibited.

One general type of payment permitted under the FCPA is a facilitating payment. A "facilitating payment" is a payment to facilitate or expedite performance of a routine governmental action (e.g., obtaining permits or licenses; processing governmental paperwork such as visas; and providing police protection, mail delivery or phone service).

Although such payments to foreign officials are allowed under the FCPA, it is often difficult to determine which payments are acceptable. It is important to obtain advice from legal counsel and necessary approvals before making any payment to a foreign official.

*What actions should employees take to comply with the FCPA provisions?*

■ Employees must take certain steps to ensure compliance with this policy. First, employees who conduct business or make payments to foreign officials must successfully complete the Company's FCPA training course.

Second, employees must obtain the necessary approvals related to making any gift or payment to or for the benefit of a foreign official. The approval requirements are designed to ensure that any proposed payment or gift is reviewed by persons knowledgeable about the FCPA. The approvals protect both the Company and the employee from the serious consequences of an FCPA violation.

Third, employees must ensure that agents hired by the Company or its affiliates to act on its behalf do not engage in violations of the FCPA. Employees are required to check the background of the agent and ensure that the agent is properly advised of Company policies.

To ensure that such action is taken, the Company has established a mandatory approval process for hiring agents. Fourth, employees must properly report any such payment or gift to the accounting department to ensure that payments and gifts are properly recorded on the books and records of the Company or the appropriate affiliate involved.

*What approvals must be obtained prior to making any payment or gift to a foreign official?*

■ All payments, such as noninfluencing gratuities, to a foreign official that are not clearly facilitating payments must be approved in advance by the general counsel of CMS Enterprises Company.

Facilitating payments (e.g., payments made to expedite a process) must also be approved by the general counsel of CMS Enterprises Company. The approval should be obtained prior to making the payment whenever possible. If preapproval cannot be obtained, employees must disclose to the general counsel of CMS Enterprises Company or chief compliance officer any such facilitating payments as soon as possible after such payment has been made.

All payments, facilitating and nonfacilitating, must be properly recorded in the Company's accounting system.

*What approvals must be obtained before hiring a foreign agent?*

- Prior to hiring a foreign agent, documentation regarding a complete background check of that agent must be submitted to the general counsel of CMS Enterprises Company for approval and is subject to final approval by the chief compliance officer.

Employees entering into contracts with foreign agents on behalf of the Company or its affiliates must verify that the contract terms, conditions and FCPA provisions are approved by the general counsel of CMS Enterprises Company.

*What additional action will be taken under this policy to ensure compliance with the FCPA?*

- The training program relating to FCPA will include a certification by the individual being trained that he/she is in compliance with FCPA.

All employees are expected to immediately report any known or possible violations of this FCPA policy to the chief compliance officer.

*Who has ultimate responsibility for record keeping pertaining to FCPA?*

- The Company's chief accounting officer ("CAO") is responsible for devising and maintaining a system of internal controls to reasonably ensure compliance with the FCPA and this policy. The CAO is also responsible for keeping books, records and accounts that accurately and fairly reflect the financial transactions and disposition of the assets of the Company.

Audits of Company books and records will be conducted by the internal audit department. Consistent with prior practice, periodic independent audits of Company books and records will be conducted by third parties not less frequently than once each year. Among other objectives, these audits will evaluate the Company's compliance with FCPA.

*Are there any exceptions to the FCPA provisions?*

- As noted, the FCPA allows for payments to foreign officials to expedite or secure the performance of routine governmental action. However, the Company has determined that facilitating payments must be approved by the general counsel of CMS Enterprises Company, either in advance or as soon as possible after the fact.

*What are the possible penalties for violating the FCPA?*

- Failure to comply with this policy may subject an employee to discipline approved by the chief compliance officer, which may include termination. In addition, persons and entities violating the FCPA are subject to criminal penalties up to \$2,000,000 per violation. According to the FCPA, officers, directors and employees may also be personally fined up to \$100,000 and sentenced to five years imprisonment. Violations of the accounting provisions of the FCPA could result in individual criminal penalties of \$1,000,000 and up to 10 years imprisonment.

*Where should employees direct questions regarding the Company's FCPA policy?*

- Employees who have questions or concerns regarding the FCPA policy or who believe they may be aware of a violation of this policy should contact the chief compliance officer or the general counsel of CMS Enterprises Company.

# ADDITIONAL INFORMATION

## □ Discipline and Penalties

The Company takes very seriously any violation of this Code or any of its corporate policies. Employees who violate the Company's policies or the Code are subject to the full range of disciplinary action, up to and including termination of employment. (Note: Some policies specify the extent of discipline.) Additionally, employees aware of a violation who fail to report it and employees involved in any cover up of a violation are also subject to disciplinary action, up to and including termination of employment.

The chief compliance officer will be notified of all disciplinary action being assessed against employees for violations of the CMS Energy Corporation Code of Conduct and Statement of Ethics and corporate policies, and any disciplinary action is subject to approval by the chief compliance officer as he/she deems necessary.

Once a discharge is approved because of a violation of the Code or a corporate policy, all severance benefits to which the discharged employee might otherwise be entitled under any plan, policy or contract shall be forfeited unless the employee has entered into a written agreement with the Company to the contrary.

### *Are supervisors subject to discipline for the actions of a supervised employee?*

- Each supervisor is responsible for ensuring compliance with this Code by those employees he or she supervises. A supervisor may be subject to discipline for violations of this Code by a supervised employee, if it is found that the employee was not adequately instructed in the existence or seriousness of this Code or if the supervisor failed to take necessary corrective action upon learning of misconduct.

### *What are the enforcement powers of the chief compliance officer?*

- The chief compliance officer may require any Company employee, family member living in the same household, officer, vendor or supplier to provide information that the chief compliance officer determines is necessary or helpful to determine compliance with Company policies and laws and regulations, including those not specifically mentioned in the Code.

The chief compliance officer may, at any time, also request an employee to certify that she/he is complying with all or part of any Company policy.

## □ Additional Resources

Employees may utilize the following resources to obtain additional information regarding the Company's compliance program and the policies contained in the Code of Conduct:

- Code of Conduct link on *eLine* contains the most up-to-date electronic version of the Code, as well as approval forms and the list of competitors
- Corporate Policies and Procedures are available on the Company's intranet and from your human resources representative
- TEAM (Together Employees Advising Management)
- Human resources, corporate director of employee relations and EEO
- Employee Assistance Service
- Asset protection services security command center
- IS&T security
- Corporate records management

## □ Waivers and Exceptions

The chief compliance officer may grant waivers and exceptions to employees on any Code of Conduct policy for a good cause or purpose and if the objectives set forth in the Code of Conduct are still maintained. Waivers and exceptions to the Code may only be granted to executive officers by the audit committee of the board of directors. All waivers and exceptions for executive officers will be promptly disclosed to the Company's shareholders.

## □ Modifications or Changes

The provisions of the Company's policies and procedures in this Code and set out in other policy manuals and policy statements may not be modified orally by any officer, manager, director or supervisor.

The chief compliance officer, with executive management approval, may make modifications or corrections for consistency purposes when necessary.

# CERTIFICATION CARD

I have read, understand and agree to abide by the CMS Energy Corporation Code of Conduct. I am unaware of any violations of the Code and will report any possible violations as I become aware of them to the Compliance Department.

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Print Name

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Signature

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Date

Return card to your local human resources department.

