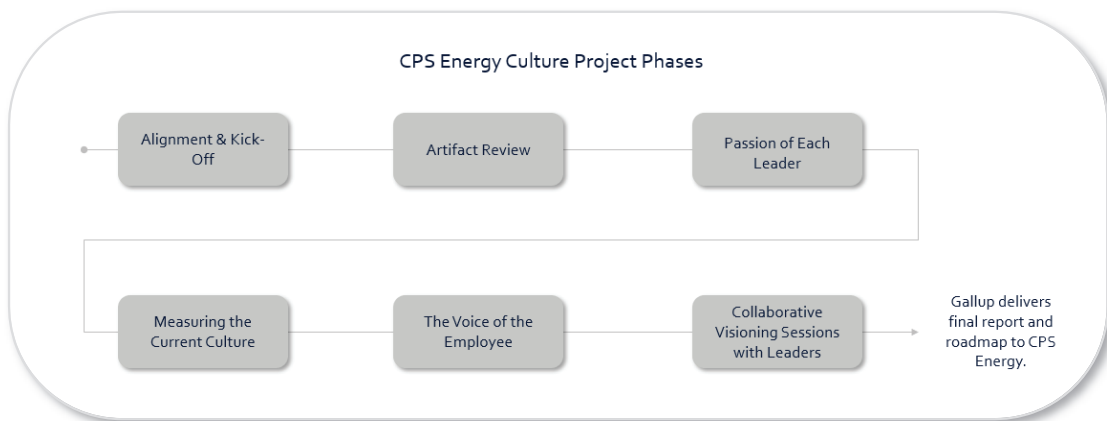


Executive Summary

CPS Energy partnered with Gallup in August of 2022 to review the culture and key attributes of the organization. The extensive review leveraged employee engagement, CPS Energy's prioritization of safety, and focus on training to understand employees' perspectives on leadership, decision-making and employees' opportunities to succeed and contribute to the success of the organization. It is important to note this review occurred as the organization was in a state of transition.

Project Overview and Approach

Gallup's understanding of the current culture and employee perceptions of CPS Energy was determined based on quantitative and qualitative research, along with a two-day workshop with leaders. The project included a detailed review of 26 key artifacts that highlighted the culture and business processes of the organization. The qualitative research included in-depth interviews with the CEO and CEO's direct reports, as well as 10 focus groups with employees across various divisions in the organization. 2,362 CPS Energy employees took the opportunity to participate in the quantitative aspect of the project by responding to the company-wide culture audit survey. Lastly, Gallup led 34 CPS Energy leaders, Labor organization leaders and front-line employees through a two-day Collaborative Visioning Session — a workshop focused on defining/improving the organizational values, vision and mission. The two-day session allowed participants to review key findings and align on a way forward.



Observations, Gaps and Opportunities

Based on the work Gallup conducted, CPS Energy has a strong customer-centric culture. While the organization has a strong set of values, employees don't feel as though their coworkers and leaders consistently and fully display the organizational values in their behavior. Gallup also found the community was not invited to share feedback on these cultural elements. This highlights the need for CPS Energy to align the organization's mission, vision and values with the workforce and community. There is an opportunity for CPS Energy to involve the community's input in the mission, vision and values, along with defining a clear vision statement and increasing employees' awareness and understanding of organizational values.

Leaders feel the tone at the top has changed and employees are more enthusiastic about the future. However, some employees reported not receiving much communication from the organization's leaders and not being as aware of big initiatives or strategic changes as they would like to be. There is a real gap when it comes to effective and consistent communication across the company. The opportunity exists for CPS Energy to upskill leaders' ability to be good storytellers, extend the reach of internal communications, and improve the collateral so it is focused and has a greater reach.

Both leaders and employees recognize a need for a change when it comes to the decision-making process. Leaders understand the process is inefficient and employees are frustrated by the delay it causes in their ability to get work done. Moving people leaders toward a coaching mindset will empower employees and restore trust between managers and their teams. There is an opportunity for leaders to create an environment that encourages accountability, optimize the performance management system to align with the right outcomes, and empower employees to make decisions.

Recommended Next Steps

Based on the gaps and opportunities identified, Gallup recommends CPS Energy take several key actions listed below:

① To align the mission, vision and values with the workforce and community:

- Conduct a targeted employee pulse survey.
- Host Collaborative Visioning Session follow-up session.
- Conduct research with the community.
- Gather customer feedback.
- Host a community day or public work session.
- Create button/stickers/badges of values.
- Place mission, vision and values (MVV) signage.
- Have team value discussions.

② To **improve communication within the organization:**

- Conduct storytelling workshops.
- Post employee stories on the intranet.
- Share stories during townhalls.
- Audit communications.
- Start skip-level meetings.
- Set communication expectations with leaders.
- Create a communications panel.
- Roll out communications via new channels.
- Include employees in messaging.

③ To **evolve toward a coaching mindset:**

- Create a values recognition program.
- Managers must discuss expectations with team members.
- Upskill managers on performance management conversations.
- Delegate decision making.
- Launch 360s with directors and above.
- Evaluate decisions requiring executive approval.
- Audit performance management.
- Evaluate performance management measures for subjectivity.
- Launch Boss to Coach cohorts.

These activities are explained in greater detail throughout this report and have been strategically placed on a 24-month roadmap.