



The Peoples Gas Light & Coke Company
North Shore Gas Company

2015 Annual Report on Business Diversity
for the Illinois Commerce Commission
Field Pursuant to 220 ILC 5/5-117
Supplier Diversity Goals
April 15, 2016

PEOPLES GAS®
NATURAL GAS DELIVERY

NORTH SHORE GAS®
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Table of Contents

I. EXECUTIVE MESSAGE	2
Annual Business Diversity Report for the Year Ending, December 31, 2015	4
A. Regulated Entity “Company” Information	4
B. M/W/VBE/SBE Program Reporting	5
C. M/W/VBE/SBE Spend by Product/Service Category	6
II. TERMS AND DEFINITIONS	11
III. SUMMARY FEMALE OWNED, MINORITY OWNED, VETERAN OWNED, AND SMALL BUSINESS ENTERPRISE GOALS AND SPENDING IN THE PREVIOUS CALENDAR YEAR	14
IV. POLICIES AND METHODOLOGY	18
A. Company Supplier Diversity Procurement Policies	18
B. Schedule of Exclusions	20
C. Definition of Procurement Categories	20
V. BUSINESS DIVERSITY GOALS 220ILCS 5/5-117 (c)(1), (c)(2), and (c)(4)	21
A. Plan to increase participation	21
B. Plan to increase goals.....	25
C. Plan to alert and encourage potential vendors	25
VI. AREAS OF PROCUREMENT FOR 2016	27
VII. CHALLENGES FINDING QUALITY VENDORS	27
VIII. CERTIFICATIONS ACCEPTED	28
IX. PEOPLES GAS AND NORTH SHORE GAS POINT OF CONTACT	28
X. SUCCESS STORIES	29
XI. ILLINOIS COMMERCE COMMISSION WEBSITE	32
A. ICC Supplier Diversity Webpage	32
B. ICC Annual Supplier Diversity Meeting	32
XII. APPENDICE	33
Appendix A	33
Appendix B.....	34

I. EXECUTIVE MESSAGE

Building cultural diversity, both inside and outside our organization, through our diverse workforce and supplier base is at the heart of Peoples Gas' and North Shore Gas' strategic business plan to meet the demands of the constantly-changing marketplace. Our diverse suppliers bring innovation, creativity, and value to our organization while enhancing our supply chain. "Our workforce and our entire economy are strongest when we embrace diversity to its fullest," said Thomas Perez, United States Secretary of Labor.

Peoples Gas and North Shore Gas began implementing its formal Supplier Diversity Program in 2013. Since its inception, this initiative has experienced significant growth. In 2014, we exceeded our Supplier Diversity goals, and in 2015, we exceeded our Minority Contractor goals for the first time. Since the program is still in its infancy, it continues to evolve and is currently in a state of transition. Additionally, due to our 2015 acquisition by WEC Energy Group and the installation of a new leadership team, we began reengineering our Supplier Diversity Initiative to improve and grow the program.

As part of this increased focus on our Supplier Diversity Initiative, my management team and I took ownership of this Supplier Diversity Initiative for our organization. We are all personally involved in, and accountable for, setting and achieving our Supplier Diversity goals and initiatives. Here are some of the actions we implemented in 2015 to reinforce that Supplier Diversity Leadership starts at the top, as well as to demonstrate our commitment to the program's success.

- We created a dedicated Supplier Diversity Team that includes full-time staff and resources to develop and monitor our progress;
- We established a Supplier Diversity Steering Committee consisting of cross-functional leaders across the organization;
- We shifted risk, within our supplier base, to ensure multiple suppliers are engaged with our most critical processes;
- We are incorporating the Supplier Diversity Goals into our planning and budgetary process, and we created specific annual goals and performance metrics for our Supplier Diversity Program;
- We are requiring our suppliers to increase the number of diverse suppliers they contract with from 5 to 20 percent.

I am confident that these steps will build the foundation for a successful Supplier Diversity Program. Despite the fact that our program is continuing to evolve, there were several successes in 2015. However, the program also faced challenges as well. Specifically, we experienced the loss of a vendor who comprised a significant portion of our diversity spending,

not an uncommon situation for nascent supplier diversity programs. Regardless of this challenge, we saw encouraging results in 2015 from our efforts.

- We substantially increased our spending with minority-owned businesses—more than 65 percent from 2014;
- We increased the number of diverse businesses we procure from by 8.2 percent;
- We increased our 2nd tier spending with diverse suppliers by more than 92 percent;
- We increased our spending with professional services businesses.

Going forward, we have aggressive Supplier Diversity Goals. We have set in motion a laser-focused, dynamic design to improve our Supplier Diversity Program and increase the number of diverse suppliers in 2016 and beyond. As part of this focus, we have established aggressive targets to work with more minority-, women-, and veteran-owned business enterprises. Peoples Gas and North Shore Gas are deeply committed to providing our customers with the safest, most reliable and efficient energy. Having a robust, comprehensive and focused diverse supplier strategy will help us advance as one of the leading gas companies in the industry, support growth in our communities and assist our suppliers to be among the best in their peer groups and local communities.

Thank You,

A handwritten signature in black ink, appearing to read "Charles Matthews". The signature is fluid and cursive, with a large initial "C" and "M".

Charles Matthews

President & CEO, Peoples Gas and North Shore Gas

**Annual Business Diversity Report for the Year Ending, December 31,
2015**

A. Regulated Entity "Company" Information

Company Name:	The Peoples Gas Light and Coke Company/North Shore Gas Company
Address:	200 E. Randolph St
	Chicago, IL 60601
Contact Person:	Jennifer Morrison
Title:	Commodity Portfolio Manager, Supplier Diversity Initiative
Phone Number:	(312) 240-7514
E-mail address:	Jmorrison@peoplesgasdelivery.com
IL-President:	Charles Matthews

* or name of the highest-ranking executive based in Illinois

B. M/W/VBE/SBE Program Reporting

The results reported reflect only third party certified suppliers spend. All expenditures are based on the Federal SBA definition for Small Business Enterprise.

Expenditure and Vendor Utilization

(In Thousands)

2015					
Company Expenditures w/All Suppliers					
Spend Category	Total			% of Overall	
				Actual	Goal
Overall	\$ 446,286				
	Direct	2nd Tier	Total	Actual	Goal
MBE	\$ 11,460	\$ 13,872	\$ 25,332	5.68%	4.00%
WBE	\$ 21,869	\$ 9,843	\$ 31,712	7.11%	11.00%
VBE	\$ 912	\$ 112	\$ 1,024	0.23%	0.30%
SBE	\$ 89,222	\$ 518	\$ 89,740	20.11%	
Total M/W/VBE/SBE	\$ 123,463	\$ 24,345	\$ 147,808	33.12%	

(In Thousands)

2015					
Company Expenditures w/Illinois Based Suppliers					
Spend Category	Total			% of Overall	
				Actual	Goal
Overall	\$ 164,592				
	Direct	2nd Tier	Total	Actual	Goal
MBE	\$ 6,392	\$ 4,348	\$ 10,740	6.52%	4.00%
WBE	\$ 19,300	\$ 1,274	\$ 20,574	12.50%	11.00%
VBE	\$ 800	\$ 101	\$ 901	0.55%	0.30%
SBE	\$ 72,394	\$ 2	\$ 72,396	43.99%	
Total M/W/VBE/SBE	\$ 98,886	\$ 5,725	\$ 104,611	63.56%	

**Note: Illinois actual % is expressed as a % of total spend with Illinois based suppliers*

C. M/W/VBE/SBE Spend by Product/Service Category

a). Minority Business Enterprise (MBE) – (In Thousands)

Category (MBE)	Direct	2nd Tier	Grand Total
Analysis & Testing	\$ 3,222		\$ 3,222
Automotive	\$ 34	\$ 1	\$ 35
Building Supplies	\$ 4		\$ 4
Computer and Office	\$ 397		\$ 397
Construction	\$ 1,455	\$ 9,403	\$ 10,858
Consulting	\$ 315		\$ 315
Credit & Collections	\$ 161		\$ 161
Engineering/Tech Services	\$ 189	\$ 3,905	\$ 4,094
Equipment Rental	\$ 27		\$ 27
Finance, Accntg, Auditng	\$ 932		\$ 932
Gas Distribution	\$ 18	\$ 2	\$ 20
Janitorial		\$ 135	\$ 135
Legal	\$ 126		\$ 126
Restoration	\$ 4,575	\$ 38	\$ 4,613
Safety	\$ 4		\$ 4
Software Maintenance	\$ 1		\$ 1
Waste Disposal		\$ 388	\$ 388
Grand Total	\$ 11,460	\$ 13,872	\$ 25,332

*SBE Spend is not included in the total

b). Women Business Enterprises (WBE) – (In Thousands)

Category (WBE)	Direct	2nd Tier	Grand Total
Building Services		\$ 30	\$ 30
Building Supplies	\$ 31		\$ 31
Computer and Office	\$ 45		\$ 45
Construction	\$ 13,703	\$ 7,441	\$ 21,145
Consulting	\$ 39		\$ 39
Credit & Collections	\$ 148		\$ 148
Engineering/Tech Services	\$ 665	\$ 1,839	\$ 2,504
Equipment Repair	\$ 780		\$ 780
Freight Services	\$ 128		\$ 128
Gas Distribution	\$ 546	\$ 483	\$ 1,029
Human Resources		\$ 50	\$ 50
Janitorial	\$ 12		\$ 12
Marketing & Advertising	\$ 322		\$ 322
Restoration	\$ 4,763		\$ 4,763
Safety	\$ 235		\$ 235
Snow Removal	\$ 134		\$ 134
Tools	\$ 273		\$ 273
Training	\$ 41		\$ 41
Waste Disposal	\$ 4		\$ 4
Grand Total	\$ 21,869	\$ 9,843	\$ 31,712

*SBE Spend is not included in the total

c) Veteran Business Enterprises (VBE) – (In Thousands)

Category (VBE)	Direct	2nd Tier	Grand Total
Automotive	\$ 17		\$ 17
Building Supplies	\$ 9		\$ 9
Computer and Office	\$ 4		\$ 4
Engineering/Tech Services	\$ 60	\$ 11	\$ 71
Finance, Acctng, Auditng	\$ 53		\$ 53
Gas Distribution	\$ 79		\$ 79
Gas Storage	\$ 23		\$ 23
Janitorial	\$ 3		\$ 3
Restoration		\$ 101	\$ 101
Safety	\$ 4		\$ 4
Tools	\$ 660		\$ 660
Grand Total	\$ 912	\$ 112	\$ 1,024

*SBE Spend is not included in the total

d) Small Business Enterprises (SBE) – (In Thousands)

Category (SBE)	Direct	2nd Tier	Grand Total
Analysis & Testing	\$ 163		\$ 163
Automotive	\$ 2,076		\$ 2,076
Building Services	\$ 892		\$ 892
Building Supplies	\$ 378		\$ 378
Computer and Office	\$ 563		\$ 563
Construction	\$ 60,546	\$ 509	\$ 61,055
Consulting	\$ 422		\$ 422
Engineering/Tech Services	\$ 4,393		\$ 4,393
Equipment Rental	\$ 64		\$ 64
Equipment Repair	\$ 1,636		\$ 1,636
Fees and Permits	\$ 21		\$ 21
Finance, Acctng, Auditng	\$ 305		\$ 305
Freight Services	\$ 1		\$ 1
Gas Distribution	\$ 6,678	\$ 9	\$ 6,687
Gas Storage	\$ 1,073		\$ 1,073
Human Resources	\$ 99		\$ 99
Information Tech Services	\$ 80		\$ 80
Janitorial	\$ 77		\$ 77
Legal	\$ 89		\$ 89
Marketing & Advertising	\$ 244		\$ 244
Other	\$ 82		\$ 82
Printing Services	\$ 216		\$ 216
Professional Services	\$ 10		\$ 10
Real Estate	\$ 37		\$ 37
Restoration	\$ 4,624		\$ 4,624
Safety	\$ 2,173		\$ 2,173
Software Maintenance	\$ 105		\$ 105
Telecommunication Services	\$ 21		\$ 21
Tools	\$ 1,964		\$ 1,964
Training Services	\$ 45		\$ 45
Vehicle Maintenance	\$ 144		\$ 144
Waste Disposal	\$ 1		\$ 1
Grand Total	\$ 89,222	\$ 518	\$ 89,740

e) Professional Services category spend– (In Thousands)

Professional Services	MBE	WBE	VBE	SBE	Grand Total
Consulting	\$ 315	\$ 39		\$ 422	\$ 776
Engineering/Tech Services	\$ 4,094	\$ 2,504	\$ 70	\$ 4,393	\$ 11,061
Finance, Acctng, Auditng	\$ 932		\$ 53	\$ 305	\$ 1,290
Human Resources		\$ 50		\$ 99	\$ 149
Information Tech Services				\$ 80	\$ 80
Legal	\$ 126			\$ 89	\$ 216
Marketing & Advertising		\$ 322		\$ 244	\$ 565
Grand Total	\$ 5,467	\$ 2,915	\$ 123	\$ 5,632	\$ 14,137

f) Spend by ethnicity– (In Thousands)

Category	Direct												2nd Tier		Grand Total	
	African-American Male	African-American Female	Asian Pacific-American Male	Asian Pacific-American Female	Native-American Male	Native-American Female	Asian Indian-American Male	Asian Indian-American Female	Hispanic-American Male	Hispanic-American Female	MBE					
Analysis & Testing	\$ 3,222														\$	3,222
Automotive								\$ 32						\$	1	\$ 35
Building Supplies		\$ 2														\$ 4
Computer and Office				\$ 395				\$ 2								\$ 397
Construction	\$ 1,071	\$ 384												\$	9,403	\$ 10,858
Consulting			\$ 315													\$ 315
Credit & Collections	\$ 161															\$ 161
Engineering/Tech Service	\$ 68							\$ 49						\$	3,905	\$ 4,094
Equipment Rental																\$ 27
Finance, Acctg, Auditing	\$ 604															\$ 932
Gas Distribution			\$ 18											\$	2	\$ 20
Janitorial														\$	135	\$ 135
Legal	\$ 44	\$ 10												\$	72	\$ 126
Restoration														\$	4,575	\$ 4,613
Safety								\$ 4								\$ 4
Software Maintenance				\$ 1												\$ 1
Waste Disposal														\$	388	\$ 388
Grand Total	\$ 5,170	\$ 394	\$ 335	\$ 396	\$ 0	\$ 87	\$ 0	\$ 5,078	\$ 0	\$ 13,872	\$ 0	\$ 13,872	\$ 25,332			

Note: "Direct" in the tables otherwise means a 1st Tier Supplier.

II. TERMS AND DEFINITIONS

The source of Minority-, Women-, Veteran-Owned, and Small Business Enterprise definitions are derived from the Federal Small Business Association Code of Federal Regulations. Foreign-owned companies operating in or out of the U.S. are not included.

MINORITY-OWNED BUSINESS ENTERPRISE

"Minority-owned business enterprise" ("MBE") means (1) a business enterprise (a) that is at least 51% owned by a minority individual or group(s) or (b) if a publicly owned business, is at least 51 % of the stock of which is owned by one or more minority groups, and (2) whose management and daily business operations are controlled by one or more of those individuals. The contracting utility shall presume that minority includes, but is not limited to, Black Americans, Hispanic Americans, Native Americans, Asian Pacific Americans, and other groups, as defined herein. The business holds a certificate by a third party who determined on the basis of firm-provided information and the representations therein, that the business is a bona fide MBE.

WOMEN-OWNED BUSINESS ENTERPRISE

"Women-owned business enterprise" ("WBE"), means (1) a business enterprise (a) that is at least 51% owned by a woman or women or, (b) if a publicly owned business, is at least 51% of the stock of which is owned by one or more women; and (2) whose management and daily business operations are controlled by one or more of those individuals. The business holds a certificate by a third party who determined on the basis of firm-provided information and the representations therein, that the business is a bona fide WBE.

VETERAN-OWNED BUSINESS ENTERPRISE

"Veteran-Owned Small Business" ("VBE") as used in this definition means (1) a small business that (a) is at least 51% unconditionally owned by one or more veterans; or in the case of any publicly owned business, at least 51% of the stock of which is unconditionally owned by one or more veterans; and (b) whose management and daily business operations are controlled by one or more veterans. The business holds a certificate by a third party who determined on the basis of firm-provided information and the representations therein, that the business is a bona fide VBE.

SMALL BUSINESS ENTERPRISE

A Small Business Concern, as defined by the Small Business Act, is independently owned and operated, not dominant in its field and whose size falls within the size standards established by the Small Business Administration (SBA).

1st TIER SUPPLIER

A 1st Tier Supplier is a supplier, contractor or professional service business that is considered a prime contractor or one that has a direct contractual relationship with: (a) Peoples Gas and/or North Shore Gas or (b) WEC Business Services LLC (“WBS”), and supports Peoples Gas or North Shore Gas. These companies are paid directly by Peoples Gas, North Shore Gas or WBS and they would be considered a direct subcontractor of Peoples Gas, North Shore Gas, or WBS.

2nd TIER SUPPLIER

A 2nd Tier Supplier is a supplier, contractor or professional service business that has a direct contractual relationship or otherwise performs certain services or provides materials to a 1st Tier Supplier, and therefore, is not being directly compensated by Peoples Gas, North Shore Gas or WBS.

ILLINOIS-BASED SUPPLIER

Illinois-based supplier, for purposes of this report, is defined as a supplier whose remittance address is in the state of Illinois, regardless of where their corporate or sales office is located.

PROFESSIONAL SERVICES

The services offered in the tertiary sector of the economy requiring special training to provide support to businesses and provide management advice are referred to as Professional Services. Service providers included in the Professional Services field are typically required to hold a professional license or advanced degree. The following commodities are considered Professional Services under the Companies Supplier Diversity Initiative; Consulting, Engineering/Tech Services (Environmental), Finance-Accounting-Auditing (Investment Banking), Human Resources- Benefits, Information Technology Services, Legal, Marketing and Advertising.

THE PEOPLES GAS LIGHT & COKE COMPANY

The Peoples Gas Light & Coke Company (“Peoples Gas”) is a regulated gas utility company serving the city of Chicago. Collectively Peoples Gas and North Shore Gas may be referred to as the “Companies”.

NORTH SHORE GAS COMPANY

North Shore Gas Company (“North Shore Gas”) is the natural gas utility company serving 54 communities within the northern suburbs of Chicago. Collectively North Shore Gas with Peoples Gas may be referred to as the “Companies”.

WEC BUSINESS SERVICES LLC

WEC Business Services LLC (“WBS”) is a subsidiary of WEC Energy Group, Inc. (“WEC”). WBS provides support services, e.g. Human Resources, Finance, Legal & Governance, and Supply Chain to WECs’ subsidiaries. WEC Business Services LLC replaced Integrys Business Support, LLC upon acquisition of Integrys Energy Group, Inc., in 2015. The spending amounts indicated herein include WBS diverse spending for Peoples Gas and North Shore Gas projects.

WEC ENERGY GROUP, INC.

WEC Energy Group, Inc. (“WEC”) is an energy holding company based in Milwaukee, Wisconsin. Its operating subsidiaries provided natural gas, electricity, steam, and wind in regulated and non-regulated markets. WEC is the ultimate corporate parent of Peoples Gas, North Shore Gas and WBS.

III. SUMMARY FEMALE OWNED, MINORITY OWNED, VETERAN OWNED, AND SMALL BUSINESS ENTERPRISE GOALS AND SPENDING IN THE PREVIOUS CALENDAR YEAR

Peoples Gas and North Shore Gas support the growth and expansion, of Chicago- and Illinois-based minority, women-owned, veteran-owned, and small business enterprises. As Peoples Gas and North Shore Gas continue to align our new initiatives to support M/W/VBE growth, we expect the new base of initiatives to lead to Peoples Gas' and North Shore Gas' greater role in the economic vitality for our local economy and customers. Peoples Gas and North Shore Gas are very committed to contracting and increasing the number of diverse, experienced suppliers, as well as building meaningful business opportunities for certified minority, women, service-disabled and veteran-owned businesses. Diverse suppliers help meet our business needs and deliver quality work to us, our customers and metropolitan Chicago.

Peoples Gas and North Shore Gas ended 2015 with overall diversity spending totaling over \$58 million. Our spending with minority-owned suppliers increased by more than 65 percent for total MBE spending of \$25.3 million. Notwithstanding, as can be expected in a nascent program, we did have some challenges. Peoples Gas lost a supplier that compromised a significant portion of the WBE component of our diverse spend. Inherent with transitioning to a more mature Supplier Diversity program, there were challenges with the realignment. The Companies believe we have made progress in 2015 and this sets the stage for greater future growth.

The Companies significantly expanded its M/W/VBE growth in the area of professional services including their spending with M/W/VBE law, finance and accounting firms. Total professional spending, excluding engineering/technical services grew to \$1.84 million. The Companies spent \$6.67 million on engineering/technical services with M/W/VBE firms. For legal services, Peoples Gas grew spending with diverse law firms by 13.5% over 2014 levels. Also, in 2015, Peoples Gas and North Shore Gas expanded the use of diverse Finance, Accounting, and Auditing firms to support the Companies' Treasury-related activities. Diverse spending for Treasury activities is a wholly new area of diverse spending for the Companies. Further, Peoples Gas and North Shore Gas expanded the use of diverse investment bankers for the issuance of Company debt.¹

¹ Note that, Legal Services and Investment Banking are indirect spending categories (i.e. non-purchase orders) that the Companies' Strategic Sourcing department typically does not have direct control over the awarding process. However, through WEC's wider diversity initiative, individual corporate departments became more focused on and expanded the use of diverse law firms and investment bankers.

As part of the expanding Supplier Diversity Initiative (“Initiative”), in 2015, the Companies expanded the practice of requiring contractual supplier diversity goals among our 1st Tier Suppliers for 2nd Tier Suppliers hiring. In 2015, for a growing number of 1st Tier Suppliers with medium spend level contracts (\$500K-\$1million), the Companies required the expansion of the use of 2nd Tier M/W/VBE suppliers. This expansion of contracting policies builds on the processes begun in 2014 requiring those 1st Tier Supplier with large contracts (>\$1 million) to expand the use of 2nd Tier M/W/VBE spending. As a result of these contracting changes to expand 2nd Tier Supplier diverse spend, our 2nd Tier diverse spending has grown to \$23.8 million from \$12.4 million spent in 2014. Further, in several procurement areas, the size of individual contractual engagements were reduced to further promote M/W/VBE supplier opportunities.

These expanded contracting policies to promote diverse vendors are further supplemented by expanded outreach, electronic tools and procurement policies (as discussed in Section IV.a. and Section V.a.). Peoples Gas and North Shore Gas are implementing the use of a new Supplier Diversity Portal that expands the ability of the Companies to better identify and track diverse suppliers (as discussed in Section IV.a.i.). In addition, for 2016 the Companies are increasing their MBE goals and expanding outreach to diverse vendors (as discussed in Section V).

Peoples Gas and North Shore Gas ended 2015 with an overall diversity spend over \$58.07 million with M/W/VBE suppliers, representing 13.02% of all of the Companies’ spending. While a decline from diverse spending in 2014, the Companies’ expanding Initiative should result in greater M/W/VBE spending for the years to come.

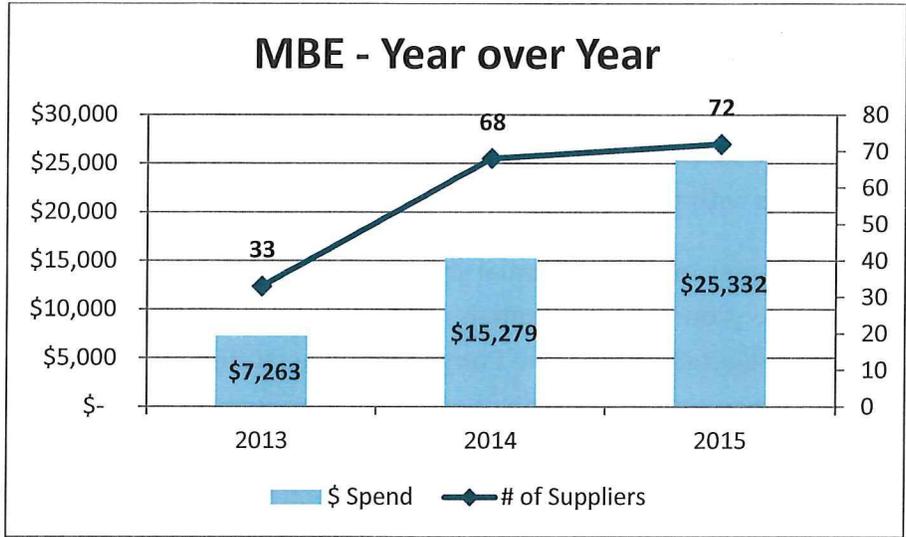
Below is a table showing the changes from 2013-2015 against the Companies’ 2013-2015 goals. The Companies’ strategic plans for improvement in 2016 are further discussed in Section V.

(In Thousands)

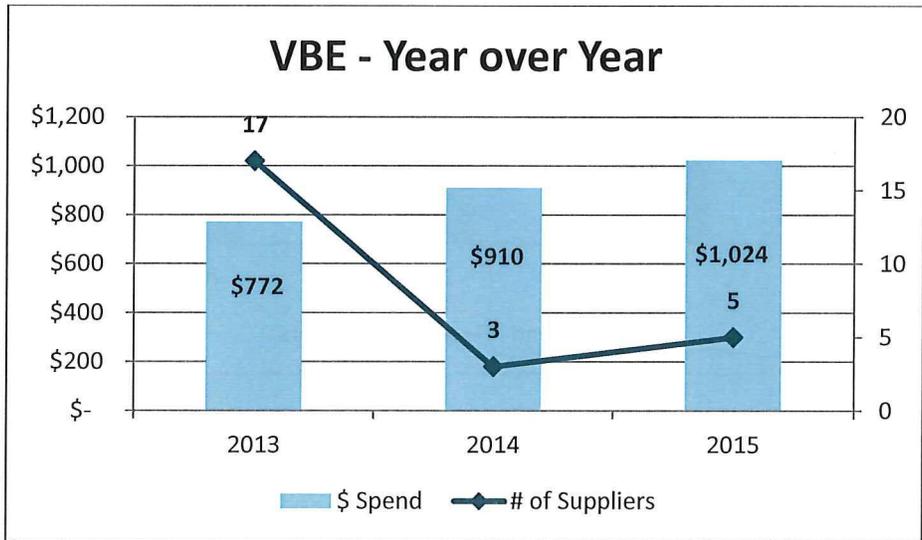
	MBE			WBE			VBE		
	Actual Spend	%	Goal	Actual Spend	%	Goal	Actual Spend	%	Goal
2015	\$ 25,332	5.68%	4.00%	\$ 31,712	7.11%	11.00%	\$ 1,024	0.23%	0.30%
2014	\$ 15,279	2.91%	3.00%	\$ 94,311	17.93%	10.00%	\$ 910	0.17%	0.20%
2013	\$ 7,263	2.28%	2.00%	\$ 51,689	16.24%	10.00%	\$ 772	0.24%	0.20%

The Companies were successful in exceeding their 2015 MBE target by 1.68% by continuously improving the strategies implemented in 2014 and 2015.

Spending for construction, engineering, technical services and finance-related activities with primary and second tier contractors are main catalysts for the increase in MBE and VBE spending.



For the third consecutive year, Peoples Gas and North Shore Gas increased VBE spend. In 2015, VBE spending was increased by a 12.53% for a total of \$1.024 million. The Companies attribute this success to its external outreach program hosting events led by the Companies and the Illinois Utility Business Diversity Council and attending other events hosted by diversity advocacy organizations. The new VBE suppliers in 2015 are being utilized to provide professional services such as engineering and finance-related activities. The Companies will continue to identify additional VBE firms in our state and national outreach efforts in 2016.

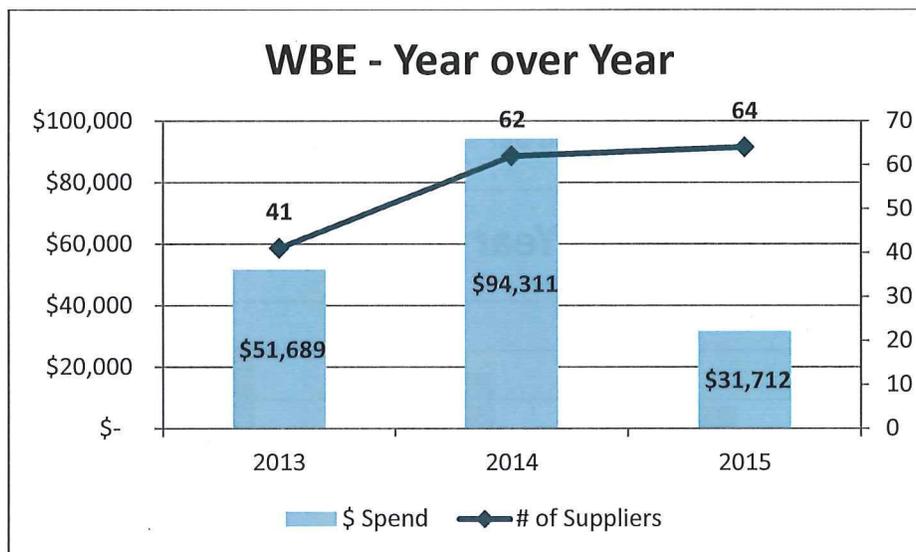


Note: The 2013 VBE suppliers represent third party and self-certified businesses. The number of VBE suppliers in 2014 and 2015 reflect only third party certified.

The Companies did not achieve their targeted WBE spending goal. Peoples Gas lost a single, large supplier in 2015, which reduced overall WBE spending for 2015. Notwithstanding, Peoples Gas and North Shore Gas believe that they are poised to continue to expand overall M/W/VBE spending in 2016, and beyond, by increasing the number of diverse engagements and firms doing business with the Companies.

For example, the Companies made substantial changes in their procurement strategy for paving and restoration services. Concrete and asphalt restoration services represent a significant portion of the annual budgeted spend. The Companies have strategically decreased individual contract engagement for concrete and asphalt restoration projects, resulting in smaller contracting opportunities to better attract smaller, diverse suppliers. That change allows for multiple firms to compete based on the specifications in each scope of work and geographic territory and create additional opportunities for diverse business enterprises.

While Peoples Gas and North Shore Gas had a setback in achieving overall growth in spending on diverse vendors in 2015, Peoples Gas and North Shore Gas are poised for further expansion of their Supplier Diversity Initiative as discussed further in this report.



IV. POLICIES AND METHODOLOGY

A. Company Supplier Diversity Procurement Policies

Following the Wisconsin Energy Corporation acquisition of Integrys Energy Group, the policies that govern our combined Corporate Supplier Diversity Initiatives and procurement practices were aligned. An updated policy statement along with detailed guidelines and information around how WEC Energy Group and its subsidiaries procure goods and services from M/W/VBEs reside on the various WEC company websites including www.peoplesgasdelivery.com/sdi and www.northshoregasdelivery.com/sdi.

See Appendix B for Corporate Supplier Diversity Policy Statement.



The image shows the cover of a "Corporate Supplier Diversity Policy Statement" document. At the top left is a photograph of three diverse professionals (two men and one woman) smiling and looking at a laptop. To the right of the photo is the title "Corporate Supplier Diversity Policy Statement" in a blue, sans-serif font. Below the photo is the WEC Energy Group logo. A vertical list of logos for subsidiaries follows: Peoples Gas, North Shore Gas, WEC, WYS (Wisconsin Public Service), Minnesota Energy Services, Michigan Gas Utilities, WE Power, and WSP. The main body of the document contains text stating WEC's commitment to building meaningful business opportunities for certified minority, women, service disabled, and veteran-owned businesses (M/W/SD/Vs). It lists four strategic initiatives: securing employee commitment, establishing goals, creating quality procedures, and developing innovative means for participation. It also states that administration and implementation of the policy is the responsibility of all organizations and business units, and that overall coordination is the responsibility of the Supplier Diversity Initiative vice president. A signature of Gale E. Klappa, Chairman and Chief Executive Officer, is at the bottom right. The date "28.9.102.02" is printed at the very bottom.

i. Methodology

Peoples Gas and North Shore Gas have continuously improved their methodology and processes to reinforce the Supplier Diversity Initiative. The Companies have added robust subcontracting plans directly into their procurement practices. The 2nd Tier diversity

requirements are included in requests for proposals and discussed with potential suppliers in meetings held prior to the submission of proposals to clarify the scopes of work often referred to as pre-bid meetings. As a standard part of the competitive bidding process, suppliers' bid responses are evaluated on their ability to provide thorough proposal plans for what services will be subcontracted, how M/W/VBE vendors will be integrated into providing services and how the suppliers will provide documentation regarding those efforts.

The Companies have also improved the process of collecting additional data on 2nd tier suppliers. The Companies have developed collection methods and spending metrics to include ethnicity for their supplier data base. That information is included in the M/W/VBE Spend by Product/Service Category section of this report. Suppliers that qualify for more than one classification are not double-counted. The typical hierarchy is MBE first, WBE second. (i.e. an African American, female-owned business would be coded as MBE, not WBE). Dollars spent with an African American Woman who is also a Service Disabled Veteran can be counted as either MBE or DVBE spend.

Suppliers who register through Peoples Gas and North Shore Gas' supplier diversity portal are recorded in a centralized data base allowing the Companies' procurement personnel to readily identify them. This increased access raises the visibility of diverse suppliers and increases the opportunities to participate in multiple sourcing events. Through this portal, Peoples Gas and North Shore Gas can better identify and assist M/W/VBE vendors in becoming suppliers in projects.

ii. Support Tools

In addition to the Supplier Diversity Initiative expansion discussed above, the Companies also use the following tools to support Supplier Diversity:

- Utilize third party organizations to assist with certification and obtain local and national diverse business data directories to identify, source, and procure diverse talent to meet the Companies' organizational needs
- Utilize diverse advocacy organizations to supplement resources for suppliers
- Continue improving in systems to track and maintain records and spending data with the diverse suppliers for the Companies
- Participate in business and economic trade shows and conferences in the communities the Companies serve
- Continue to encourage the increase in the number of suppliers recognized by third-party certification agencies. This report does not reflect spend on self-certification businesses

- Utilize the Illinois Utilities Business Diversity Council as a resource to engage in sharing industry best practices to improve supplier diversity initiatives

B. Schedule of Exclusions

Payments made for the goods and services listed below are not considered “expenditures” and therefore are not included in any of the calculations made in this report.

Excluded Expenditures

Employee Expenses (salary, benefits, expense reimbursements, performance awards, petty cash, etc.)
Parent, associated and/or subsidiary companies (charges for services rendered to the parent, i.e., accounting, engineering, tax, advertising costs, etc.)
Government agencies (taxes, street opening fees, license fees, etc.)
Other fees for utility services (gas, electric, water, and telephone)
Fines
Purchases from foreign-owned companies outside of the U.S. that do not add value to a product once shipped to the United States or manufacture a product in the United States
Charities & philanthropic contributions
U.S. Post Office
Power or commodity purchases (gas and/or electricity for resale or nuclear fuels)
Damages
Lease buyouts
Easements
Garnishments
Tuition to Colleges and Universities
Memberships
Inter-Entity Payments
Revenue Accounts (Refunds Due Customers)

C. Definition of Procurement Categories

See Appendix A for a full listing of categories and their descriptions

V. BUSINESS DIVERSITY GOALS 220ILCS 5/5-117 (c)(1), (c)(2), and (c)(4)

A. Plan to increase participation

Peoples Gas and North Shore Gas are more committed than ever to build meaningful business opportunities that encourage and promote the development of the diverse firms in the communities we impact. We are building a procurement foundation that helps to deliver on these opportunities. As detailed below, our short term goal is to increase the access that M/W/VBEs have to our procurement personnel and key stakeholders within the Companies. Peoples Gas and North Shore Gas want potential diverse suppliers to be assured that they have an understanding on “how to do business” with the Companies. Our employees demonstrate their commitment to participate in the process by identifying and engaging with diverse suppliers at the many matchmaker events, as well as day-to-day activities.

The Companies’ plan to increase access is built around a large push to participate and communicate with existing suppliers, potential suppliers, public officials, and our utility partners in a more transparent, frequent manner and broader medium than we ever have before. During the first quarter of 2016, Peoples Gas and North Shore Gas hosted 20 matchmaker meetings with diverse suppliers, whom the Companies had little experience with. These meetings allow the Companies’ Procurement team and key decision makers to learn more about the diverse suppliers and their services at an introductory level.

In the area of mentoring, Peoples Gas and North Shore Gas will participate as corporate sponsors in Chicago United’s Five Forward. The Companies’ goal is to take five existing diverse firms and expand their capacity through spending and contracting commitments. The Companies will select a development model with the assistance of Chicago United to establish mutually beneficial goals with the selected suppliers. The Companies’ development model will include coordinated access to technical and organizational services along with mentorship opportunities to accelerate the growth of these selected firms.

At future hosted events, the Companies plan to have technology sessions for suppliers to familiarize them with our e-procurement tools. The events are also used to promote one-on-one engagement (matchmaker) meetings with our procurement staff and business unit decision makers to discuss their capabilities and strategies for potentially performing work with the Companies.

To further target diverse suppliers, the Companies have expanded the procurement planning process to include:

- Early identification of suppliers in critical markets that are ready to perform or require development.
- Review the Companies strategic sourcing plans to identify and communicate opportunities to potential suppliers.
- Identify development opportunities internally and established external training programs to sharpen suppliers skills and/or strengthen the suppliers businesses.

i. External Initiatives

The Companies have participated in the following outreach events during 2015:



- **February 3, 2015:** Elite Service-Disabled Veteran-Owned Business (SDVOB) Network, Illinois Chapter Meeting where Peoples Gas' Government & Community Relations Leader participated as a moderated discussion panelist.
- **Feb. 26, 2015:** Illinois Commerce Commission (ICC) Financial Services Roundtable & Network Luncheon, Union League Club of Chicago, Chicago, IL.
- **April 8, 2015:** PGL/NSG Supplier Diversity Forum, AON Center Building, Chicago, IL.
- **April 23 – 24, 2015:** Chicago Minority Supplier Development Council (Chicago MSDC) 48TH Annual Business Opportunity Fair, Navy Pier, Chicago, IL. Participated as an exhibitor and in the targeted matchmaker meetings.

- **June 2 – 5, 2015:** Edison Electric Institute (EEI) 32nd Annual Supplier Diversity Conference, San Diego, CA.
- **August 6, 2015:** Illinois Hispanic Chamber of Commerce (IHCC) Annual Business Expo, Chicago, IL.
- **August 12 - 13, 2015:** Illinois Black Chamber of Commerce (IBCC) 10TH Annual Convention, East Peoria, IL. Participated as a panelist on the 'Energy Panel'.
- **September 2, 2015:** Entrepreneurial Women's Conference hosted by the Women's Business Development Council.
- **September 14, 2015:** We Energies Diversity Supplier Symposium, Milwaukee Wisconsin.
- **October 18 – 22, 2015:** National Minority Supplier Development Council (NMSDC) Annual Business Opportunity Fair, San Diego, CA.
- **November 30, 2015:** Illinois Utilities Business Diversity Council Business Partnership Forum Panel Discussion and Networking Event, Chicago, IL.

During the Peoples Gas and North Shore Gas Supplier Diversity Forum on April 8, 2015, the Companies invited suppliers with capabilities in the Engineering Design, Environmental Services, and GIS Support fields into our corporate headquarters to participate in a forum style gathering and breakout workshops with our procurement leaders and key business stakeholders to learn more about large initiatives and critical needs that were planned to outsource in 2015 and beyond.



For 2016, Peoples Gas and North Shore Gas will continue to participate in outreach events with advocacy organizations and host our own targeted business diversity symposium and forums. See Section V.C. for further discussion.

ii. Internal Initiatives

Supplier Diversity goals that have been set for Peoples Gas and North Shore Gas are reflective of the estimated annual budget, available contracting opportunities, and local supplier market availability to perform critical and non-critical functions. For 2016, these goals are included in performance incentive metrics for Peoples Gas and North Shore Gas.

iii. Organizational Changes

To ensure that Peoples Gas and North Shore Gas' supplier diversity goals have the required leadership and resources to support the strategic goals, a new team with full-time dedicated resources to develop and lead the supplier diversity initiative for Peoples Gas and North Shore Gas, was created in the beginning of 2016. That team is currently being led by a Vice President of Supplier Diversity and a Commodity Portfolio Manager with extensive experience in Supplier Diversity and procurement for Peoples Gas and North Shore Gas.

The Vice President of Supplier Diversity has the responsibility for leading the Supplier Diversity Initiative for Peoples Gas and North Shore Gas. This person directs supplier diversity activities, including managing human capital, as well as fostering corporate relationships with suppliers and contractors, area businesses and local government. This individual leads Peoples Gas and North Shore Gas' business units to establish supplier diversity related goals and objectives, and trains employees how to achieve these goals through better business and procurement practices.

Within the operational areas of the Companies, we have also created a Supplier Diversity Committee to support and strengthen the initiatives. The committee is chaired by the Director of Contracting for the Capital Construction department. The membership includes senior level executives, the Vice President of Supplier Diversity, and the Commodity Portfolio Manager of Supplier Diversity. The committee's purpose is to develop, monitor, and direct organizational activities to support the initiative and ensure that the strategies are operationalized. The committee meets monthly to discuss new sourcing opportunities that evolved outside of the sourcing and diversity plans, monitor results, and plan adjustments to meet the stated goals.

B. Plan to increase goals

The Companies are committed to increasing our targeted business diversity spending in 2016. The 2016 goals for the Companies overall diverse spending as a percentage of total procurement budgets are: (a) achieve 9% MBE spend (b) achieve 8% WBE spend and (c) achieve 0.3% VBE spend.

Goals and Actual Spend (In Millions)

M = Millions	MBE	WBE	VBE
2016 PUBLISHED GOALS	9%	8%	0.30%
2015 PUBLISHED GOALS	4%	11%	0.30%
2015 % Jan-Dec (based on actual \$446M total spend)	5.68%	7.11%	0.23%
2015 Jan-Dec	\$25.3M	\$31.7M	\$1.02M
2014 PUBLISHED GOALS	3%	10%	0.20%
2014% Jan-Dec (based on actual \$526M total spend)	2.91%	17.93%	0.17%
2014 Jan-Dec	\$15.3M	\$94.3M	\$0.9M

C. Plan to alert and encourage potential vendors

The Companies will continue outreach with advocacy organizations and have our own targeted business diversity symposium and forums. Further, the Companies will continue to collaborate with other gas and electric utilities in the state through the partnership with the Illinois Utility Business Diversity Council.

Some of 2016's events include:

- **April 19, 2016:** American Association of Blacks in Energy (AABE) 39th Annual Conference
- **April 21-22, 2016:** Chicago Minority Supplier Development Council Annual Business Opportunity Fair
- **May 11, 2016:** Peoples Gas & North Shore Gas Supplier Diversity Symposium
- **August 2016:** Illinois Black Chamber of Commerce (IBCC) Annual Statewide Convention

- **September 15, 2016:** Illinois Hispanic Chamber of Commerce Business Conference
- **September 2016:** Women's Business Development Center (WBDC) – Chicago 30th Annual Women's Entrepreneurial Conference
- **September 21-22, 2016:** National Minority Supplier Development Council (NMSDC) Annual Business Opportunity Fair

At a national level, the Companies will attend several events to engage with suppliers outside of the Illinois area to encourage their interest and willingness to bring their unique skills and talents to the Illinois and City of Chicago market. At a national level we will attend and exhibit at the following conferences:

- **May 24-27, 2016:** Edison Electric Institute (EEI) Annual Supplier Diversity Conference - Phoenix, AZ
- **June 21-23, 2016:** Women's Business Enterprise National Council (WBENC) National Conferences & Business Fair – Orlando, FL

The Companies will continue to support our suppliers by working to collaboratively identify, research, and create targeted matchmaking meetings for additional subcontracting opportunities.

VI. AREAS OF PROCUREMENT FOR 2016

As Peoples Gas and North Shore Gas continue to focus on the corporate strategic goals to source and procure the quality goods and services that are competitively priced, the Companies will continue to provide opportunities to compete for the business. Supplier opportunities will be expanded through the Companies' engagement at external events and their sponsored supplier diversity symposium.

Opportunities in the areas of professional services and restoration will continue to be a central focus for procurement activities. The Companies plan to host targeted matchmaker meetings with firms that have specific capabilities in environmental services, investment banking, and financial services, as well as creating smaller scopes of work to unbundle services.

VII. CHALLENGES FINDING QUALITY VENDORS

While the Companies have made significant efforts to attract diverse suppliers, there are still challenges to overcome in meeting the requirements in the utilities market. The following challenges are consistently found among most suppliers:

- Changes in business ownership status when acquisitions by majority firms occur
- Lack of capital resources in the form of equipment and skilled workforce to meet and compete for large multi-year/phase projects
- Minimal opportunities to engage in contracts with suppliers have agreed to non-competitive arrangements with larger minority firms
- Limited experience in the natural gas utility and pipeline industry.

To assist overcoming these obstacles, the Companies have bid out projects on a smaller scale to assist with the capital resource constraints.

As mentioned earlier in the report, Peoples Gas and North Shore Gas will participate as corporate sponsors in Chicago United's Five Forward to provide access to mentoring, technical, and organizational support.

In addition to Five Forward, the Companies are engaging in partnerships with Supplier Diversity advocacy organizations to address capital and training challenges.

VIII. CERTIFICATIONS ACCEPTED

The Companies accept the following diverse business certifications:

- National Minority Supplier Development Council (NMSDC) and its Affiliate Councils
- Women Business Enterprise National Council and its regional Affiliate Councils
- City of Chicago Certification and Compliance
- Cook County Illinois Office of Compliance Supplier Diversity Program
- State of Illinois Central Management Services Business Enterprise Program
- State of Illinois Department of Transportation DBE Program
- U.S. Department of Veteran Affairs VetBiz Program

IX. PEOPLES GAS AND NORTH SHORE GAS POINT OF CONTACT

Jennifer Morrison
Commodity Portfolio Manager, Supplier Diversity
Jmorrison@peoplesgasdelivery.com
(312)240-7514

Jerry Fulmer
Vice President, Supplier Diversity
Jfulmer@peoplesgasdelivery.com
(312)240-4121

For additional information on how to register as a M/W/VBE/SBE with Peoples Gas and North Shore Gas please visit www.peoplesgasdelivery.com/sdi and www.northshoregasdelivery.com/sdi on the Supplier Diversity Initiative page.

X. SUCCESS STORIES

Finance, Accounting, Auditing

Treasury-Related Contracting (MBE)

Peoples Gas has great relationships with diverse providers for Treasury and related activities. The Treasury department handles capital markets activities such as debt issuances. In 2015, Peoples Gas contracted with Ramirez and Company, a minority investment bank, to provide treasury services, which resulted in a successful debt issuance.

Engineering/Consulting

David Mason and Associates (MBE)

David Mason and Associates was one of eight firms bidding to provide engineering services for Peoples Gas' new training and service center. They were awarded the contract for civil engineering for construction, including the concept design, permitting, construction document design, surveying, landscape, and site-lighting design. Much of the success in meeting the project timeline and deliverables for the project are attributed to the support David Mason and Associates provided to the project stakeholders, architectural engineer, Peoples Gas' environmental team, and the construction team. Prior to their civil engineering contract for the training center, David Mason and Associates provided services as a 2nd Tier supplier to Intren Inc., for Peoples Gas and North Shore Gas projects since 2014.

Primera Engineers (MBE)

Primera has been supporting Peoples Gas Distribution Engineering since 2015. They were awarded a contract to develop Maintenance of Traffic (MOT) designs in the summer of 2015. To date, Primera has completed half of its projects under their contract. These projects have given Peoples personnel the opportunity to learn more about Primera's capabilities for future expansion. Their Capabilities include providing regulatory support (data requests, and auditing requests) and documenting construction projects.

Milhouse Engineering and Construction, Inc. (MBE)

Wilbur C. Milhouse III, P.E. built his firm “with the goal of building the best engineering company in the country”. Milhouse Engineering & Construction, Inc. is a professional full-service engineering and architecture consulting firm with headquarters in downtown Chicago. The firm serves public and private sectors and employs more than 100 talented engineers. Millhouse has been supporting Peoples’ Distribution Engineering since the summer of 2015. They were awarded two AMRP neighborhood projects that required them to provide surveying, drafting and design services. Milhouse was able to quickly adapt to Peoples Gas’ unique requirements. Based on its ability to perform, Milhouse was awarded the design for 2016 non-program projects.

R.W. Collins (WBE)

RW Collins Company, a premier environmental excavation contractor specializing in quality site remediation, has supported Peoples Gas and North Shore Gas on a wide variety of environmental projects for more than 15 years. R.W. Collins has performed its work as a 2nd Tier (subcontracted) supplier to Burns & McDonnell, a Tier 1 supplier. RW Collins is unique because of its focus on safety.

RW Collins is currently working with Peoples Gas and North Shore Gas to help remediate two sites. Their professionalism and expertise has played a key role in keeping these projects on track and on schedule.

Construction

Trice Construction (MBE)

Trice Construction has been a leader in the concrete construction business for 50 years. Initially, Trice had done smaller restoration projects for Peoples Gas and was eager to be awarded larger scopes of work. Through a series of matchmaker meetings, Trice was able to re-establish itself as a competitive bidder. The process led to Trice being awarded a significant contract in late 2015, with plans to increase its project scope in 2016. Trice demonstrated its expertise and is considered a supplier of choice for Peoples Gas.

Nash Brothers Construction Company (MBE)

Over the past eight years, the relationship between Nash Brothers Construction (“NASH”) and Peoples Gas and North Shore Gas have grown considerably. In 2015, NASH secured a first tier contract for underground utility service projects related to the Accelerated Main Replacement Project. NASH proved to be a competitive, flexible and successful supplier. The Company adjusted its pricing models to work with our new sourcing strategy to decrease the size of the bid projects, enabling more local Illinois and M/W/VBE/SBE companies to compete in the supplier pool.

XI. ILLINOIS COMMERCE COMMISSION WEBSITE

A. ICC Supplier Diversity Webpage

As required in Section 5-117(f) of the Public Utilities Act 220 ILCS 5/5-117, the Illinois Commerce Commission (ICC) supplier diversity webpage, <http://www.icc.illinois.gov/filings/mwvs/>, will provide links to the following Companies' information:

- A list of the points of contacts as noted in Section IX of this report.
- The annual reports for a period of 5 years.
- A list of the certifications recognized and accepted as noted in Section VIII of this report.

The annual reports required by Section 5-117 are due annually on April 15th, beginning in 2015

B. ICC Annual Supplier Diversity Meeting

Section 5-117 requires that ICC and participating utilities shall hold an [Annual Policy Meeting](#) that is open to the public on the state of supplier diversity.

The Illinois Commerce Commission annual supplier diversity policy meeting will be held at 1:00pm on June 6, 2016 at the Illinois Commerce Commission, State of Illinois Building at 160 North LaSalle Street, Chicago, Illinois 60601. The meeting agenda can be found at <http://www.icc.illinois.gov/filings/mwvs/meetings.aspx>

XII. APPENDICE

Appendix A

Category	Description
Analysis & Testing	Services related to analysis or testing e.g. water, soil
Automotive	Any material related to the repair or maintenance of automotive fleet
Building Services	Services related to the repair or maintenance of our buildings or offices
Building Supplies	Any material related to miscellaneous building supplies, e.g. paint, lumber, filters
Computer and Office	Any material related to computer and office supplies e.g. computer hardware/software, envelopes, forms, office furniture
Construction	Services related to underground construction
Consulting	Consulting services related to the Professional Services disciplines
Credit & Collections	Services related to credit and collections of customer accounts
Engineering/Tech Services (Environmental)	Services for engineering/technical work e.g. environmental services, design work, surveying
Equipment Rental	Rental of Equipment
Equipment Repair	Repair of Equipment
Finance, Accounting, Auditing	Services related to finance, accounting, auditing, investment banking
Freight Services	Services related to the transport of material
Gas Distribution	Any material directly related to the repair or maintenance of the gas distribution system
Gas Storage	Any material directly related to repair or maintenance of the gas storage system
Human Resources	Services related to staffing and benefits
Janitorial	Services related to office cleaning
Information Technology Services	Any material or service related to information technology excluding software maintenance
Legal	Services related to providing legal counsel
Marketing & Advertising	Services related to marketing and advertising, e.g. media and print ads
Printing Services	Services related to the printing of company materials, e.g. bill inserts
Restoration	Services related to landscaping and or paving
Safety	Any material related to safety protection, e.g. personal protective equipment, signs, spill containment
Security	Services related to providing security protection, e.g. guard services
Software Maintenance	Services related in providing software maintenance, i.e. software renewals
Tools	Miscellaneous tools, e.g. hand/power tools, flashlights, batteries, welding supplies
Training Services	Services related to providing training seminars
Vehicle Maintenance	Services provided for vehicle maintenance that cannot be done in-house, e.g. body repair, windshield replacement
Waste Disposal	Services related to the disposal of hazardous and non-hazardous material
Other	Miscellaneous materials and services that do not fall into any of the categories above

Appendix B. Corporate Supplier Diversity Policy Initiative



Corporate Supplier Diversity Policy Statement



WEC Energy Group (WEC) and its subsidiaries are committed to building meaningful business opportunities for certified minority-, women-, service-disabled- and veteran-owned businesses (M/W/SD/Vs).

WEC and its subsidiaries encourage and promote the development, utilization and growth of M/W/SD/Vs that wish to provide quality products and services.

Our Supplier Diversity Initiative strategies include:

- Securing the commitment of every employee who is responsible, directly or indirectly, for the purchase of products and services to encourage the meaningful participation of M/W/SD/V business enterprises.
- Establishing reasonably attainable goals consistent with the policies and practices of WEC and its subsidiaries.
- Creating quality procedures and practices for all to achieve and record supplier diversity activities.
- Developing innovative and effective means to permit the participation of M/W/SD/V business enterprises.
- Cultivating relationships through the effective exchange of information to capture the benefits of quality products and services at competitive prices.

Administration and implementation of this policy is the responsibility of all organizations and business units throughout WEC with support of the Supplier Diversity Initiative.

Overall company coordination is the responsibility of the Supplier Diversity Initiative vice president.

Promoting diverse suppliers fosters competition, enhances job creation, and generates additional purchasing power in the communities in which WEC and its subsidiaries do business. Therefore, it is the corporate policy of WEC and its subsidiaries to offer M/W/SD/Vs the opportunity to compete on an equal basis with other suppliers.

Gale E. Klappa

Chairman and Chief Executive Officer
WEC Energy Group

