

**Wisconsin Energy Corporation**  
**Board of Directors**  
**Corporate Governance Guidelines**  
(Adopted August 28, 1996; Revised October 18, 2012)

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1. **Role of the Board.** The primary responsibility of the Board is to provide effective governance over the affairs of the Corporation for the benefit of its stockholders. The Board may take into consideration the effects of any actions on other constituencies, as provided by law. In addition, the Board selects the Corporation's Chief Executive Officer, acts as an advisor and counselor and evaluates the Chief Executive Officer's performance.
2. **Independence of the Board.** To be independent, the Board should consist of at least a two-thirds majority of independent directors. The Board's standard of independence is more comprehensive than the standard used by the New York Stock Exchange. Appendix A lists the specific guidelines for director independence. The Board shall annually review whether its independent directors meet the guidelines set forth in Appendix A and publish the results of the review in the Company's proxy statement.
3. **Board Composition.** The Corporate Governance Committee annually evaluates the expertise and needs of the Board to determine its proper membership and size.
4. **Selection of New Directors.** The Corporate Governance Committee screens director candidates, including those recommended by stockholders. The criteria for reviewing candidates include characteristics such as: proven integrity, mature and independent judgment, vision and imagination, ability to objectively appraise problems, ability to evaluate strategic options and risks, sound business experience and acumen, relevant technological, political, economic or social/cultural expertise, social consciousness, achievement of prominence in career, familiarity with national and international issues affecting the Company's businesses, contribution to the Board's desired diversity and balance, and availability to serve for five years before reaching the directors' retirement age of 72. The Corporate Governance Committee strives to recommend candidates who would bring a perspective to the Board that contributes to the collective diversity of the Board. In evaluating director candidates, the Corporate Governance Committee reviews potential conflicts of interest, including interlocking directorships and substantial business, civic and/or social relationships with other members of the Board that could impair the prospective Board members' ability to act independently from the other Board members and management.
5. **Election of Directors.** The Board of Directors shall be elected at the Annual Meeting of Stockholders each year. In a non-contested election, each member of the Board shall be elected by a majority of the votes cast with respect to the director at a stockholders

meeting at which a quorum is present. In a contested election, where the number of director nominees exceeds the number of positions on the Board of Directors to be filled by election at the stockholders meeting, directors shall be elected by a plurality of the votes cast at such meeting. If an incumbent director fails to receive a majority of the votes cast in a non-contested election, the director shall tender his or her resignation to the Board of Directors. The Corporate Governance Committee will make a recommendation to the Board of Directors whether to accept or reject the resignation, or whether other action should be taken. The Board of Directors will act on the tendered resignation, taking into account the Corporate Governance Committee's recommendation, and publicly disclose its decision regarding the tendered resignation within 90 days from the date of certification of the election results.

6. **Director Orientation and Continuing Education.** New directors will participate in an orientation program and receive materials and briefings to acquaint the director with Wisconsin Energy's business, industry, management, significant operating, financial and risk management issues and corporate governance policies and practices, including visits to Company facilities and discussions with key executives. Continuing education will be provided for all directors through discussions and presentations at Board meetings, and periodic mailings of pertinent information between meetings. The Corporate Secretary will also provide directors with information regarding opportunities for continuing education from outside, independent sources. Directors are encouraged to take advantage of opportunities that will enhance their ability to fulfill their responsibilities.
7. **Board Leadership.** The Board retains the right to exercise its discretion in combining or separating the offices of Chief Executive Officer and Chairman of the Board. This determination is based on the Board's assessment of the most effective means of governing the Company at any point in time. The Board currently does not believe there is a need to formally appoint a "lead" independent director, but retains the right to do so. The chair of the Corporate Governance Committee acts as presiding director whenever the independent directors meet in executive sessions without any management present.
8. **Directors' Retirement Guidelines.** The Board believes that it is in the best interest of the Company that (a) no non-employee director be nominated for election to the Board after attaining the age of 72, unless nominated by the Board for special circumstances; (b) no employee director serve as a director after ceasing to be an employee, unless requested to do so by the Board of Directors; (c) directors who change employment or major responsibilities or have a change in circumstance that may affect an independent director's continuing independence, shall provide notice of such change to the Board and must tender his/her resignation; the Board may accept or reject such resignation in its discretion.

9. **Term Limits.** The Board does not believe it appropriate or necessary to limit the number of terms a director may serve. The Board values the participation of directors who have developed an increased understanding of the governance of the Company and the issues confronting it. However, the Corporate Governance Committee will evaluate a director's past contributions to the Board, prior to recommending a director for re-election to another term.
10. **Non-Employee Director Compensation.** The Compensation Committee will periodically review the level and form of the Company's director compensation, including how such compensation relates to director compensation of companies of comparable size, industry and complexity. This review will also include a review of both direct and indirect forms of compensation to directors, including charitable contributions by the Company to organizations in which a director is affiliated and consulting or other similar arrangements between the Company and a director. The Board believes that a portion of directors compensation should be in the form of stock options, restricted stock or other equity-based compensation to more effectively align the Board's interests with the interests of stockholders. Changes to director compensation will be proposed to the full Board.
11. **Share Ownership of Directors.** The Board believes that directors should be stockholders and have a financial stake in the Company. Directors are generally expected to hold a value of five times the annual cash retainer, achieved in five years of board service.
12. **Affiliations of Directors.** It is the responsibility of each director to advise the Corporate Secretary of any affiliation with public or privately held commercial enterprises.
13. **Outside Directorships.** Directors may not serve on more than four other public company boards without obtaining prior approval from the Corporate Governance Committee. Directors who also serve as chief executive officers of public companies may not serve on more than two other public company boards without obtaining prior approval from the Corporate Governance Committee. The Chief Executive Officer must obtain approval of the Board before serving on other public company boards. No prior approval is required for Directors to join a non-profit organization board. All Directors shall notify the Company's Compliance Officer before accepting other board positions with public companies. The Compliance Officer will determine if any potential conflicts of interest or issues of regulatory compliance exist, and then will provide this information to the Corporate Governance Committee for review and approval or disapproval of the position. The Corporate Governance Committee shall consider the number of other public company boards on which a prospective nominee is a member prior to recommending such director for election.

14. **Code of Ethics.** The policy of the Company is that there be adherence to the highest form of ethical business conduct. To this end, the Audit and Oversight Committee is responsible for assuring that a code of business conduct and ethics is in place for directors, officers - including the Chief Executive Officer and the senior financial officers - and employees. The Committee receives reports from the Company's Compliance Officer pursuant to the monitoring of compliance with the provisions of the Code and reports to the full Board regarding compliance as necessary. The Committee also receives reports on the Company's programs for the receipt and response to complaints and concerns submitted by employees and others regarding compliance matters, including but not limited to accounting, internal accounting controls and auditing matters.
15. **Number of Board Meetings.** The number of scheduled Board meetings will vary with circumstances; however, a minimum of four meetings are held annually. Special meetings are called as necessary in accordance with the Company's Bylaws. It is the responsibility of the directors to attend meetings and review materials provided in advance of each meeting.
16. **Board Agendas.** Board agendas are set by the Chairman of the Board and the Chief Executive Officer, with input from other management members and directors.
17. **Conduct of Meetings.** The Board believes it appropriate that its meetings be conducted in a manner that ensures open communication, objective and constructive participation and timely resolution of issues.
18. **Executive Sessions of Non-Management Directors.** The non-management directors meet in executive session at every regularly scheduled meeting to discuss, among other things, Chief Executive Officer compensation and performance. The chair of the Corporate Governance Committee shall preside over executive sessions of non-management directors. Any interested parties desiring to communicate with the presiding director and the other non-management directors regarding the Company may contact the Corporate Secretary who will directly inform such directors. The non-management directors also meet in executive session with the Chairman of the Board on an as needed basis. At least annually, an executive session of independent directors is held without any management or non-independent directors present.
19. **Off-Site Meetings.** To provide directors with first-hand knowledge to make strategic decisions and for their continuing education about the environment in which the Company operates and competes, meetings are occasionally held at locations other than the corporate headquarters.
20. **Communications.** The Board encourages open communication with stockholders and other constituencies.

21. **Management Succession.** The Compensation Committee shall establish policies and principles for Chief Executive Officer selection and performance review, as well as policies regarding succession in the event of an emergency or the retirement of the Chief Executive Officer.
22. **Evaluation of the Chief Executive Officer.** The Compensation Committee annually evaluates the performance of the Chief Executive Officer. As part of this evaluation, the independent directors provide an evaluation of the Chief Executive Officer's performance. Results of this evaluation are communicated to the Chief Executive Officer by the chair of the Compensation Committee.
23. **Annual Assessment of Performance.** The Corporate Governance Committee conducts an annual assessment of the Board's effectiveness as a whole. Each committee of the Board also conducts an annual performance evaluation to determine if they are functioning effectively and provides the Board with a report regarding its evaluation.
24. **Access to Management.** Board members have complete access to management and to the Company's outside advisors.
25. **Board Committees.** The Board is organized so that a significant portion of its business is conducted by its committees. The present committee structure consists of Audit and Oversight, Compensation, Executive, Finance, and Corporate Governance committees. In general, committees of the Board are utilized to focus on issues that may require more in-depth scrutiny. All significant findings of a committee are presented to the full Board for discussion and review. The Board or any committee may retain legal or other advisors of its choice, who shall report directly to the Board or committee.
26. **Committee Charters.** The Board approves a charter for each committee. The duties of each committee are reviewed annually by each committee and any recommended changes are presented to the full Board for consideration. Committees are empowered to act on behalf of the full Board for those areas which the Board has prescribed.
27. **Committee Composition.** The Audit and Oversight, Compensation, Finance and Corporate Governance Committees are comprised solely of independent directors who must satisfy applicable legal, regulatory and stock exchange requirements for an assignment to any committee.
28. **Rotation of Committee Chair and Membership.** Consideration is given to periodic rotation of committee membership and leadership by taking into account continuity, expertise and tenure.

29. **Committee Agendas.** Committee chairs, in consultation with committee members and appropriate members of management, determine committee agendas.
30. **Interaction With Subsidiary Boards.** The Board is informed of significant developments affecting the Company's subsidiaries. The Chief Executive Officer, with the assistance of subsidiary management, is charged with the task of presenting material information to the Board in this regard.
31. **Corporate Support.** The Corporate Secretary serves as secretary to the Board and its committees and, at the request of the Chairman and Chief Executive Officer or the committee chairs, as appropriate, arranges meetings, suggests meeting agendas and facilitates the materials presented to the Board and its committees.
32. **Periodic Review of These Guidelines.** The operation of the Board of Directors is a dynamic and evolving process. As such, these Guidelines are reviewed annually by the Corporate Governance Committee. No policy can cover each and every issue that may surface, but these Guidelines set the proper tone for the operation of the Wisconsin Energy Corporation Board of Directors and assist the Board in fulfilling its obligations to stockholders and other constituencies.

## APPENDIX A

No director qualifies as “independent” unless the Board affirmatively determines that the director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). If there is a change in circumstance that may affect an independent director’s continuing independence, that director shall offer to submit his or her resignation from the Board for consideration by the Board of Directors, and the Board has discretion as to whether such offer will be accepted.

- (1) The following guidelines shall be used in making this determination. A director is not independent if:
  - (a) The director is, or has been within the last five years, an employee of the Company, or an immediate family member is, or has been within the last five years, an executive officer of the Company or any of its subsidiaries or affiliates;
  - (b) The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);
  - (c) (i) The director is a current partner or employee of a firm that is the Company’s internal or external auditor; (ii) the director has an immediate family member who is a current partner of such a firm; (iii) the director has an immediate family member who is a current employee of such firm and personally works on the Company’s audit; or (iv) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the Company’s audit within that time;
  - (d) The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company’s present executive officers at the same time serves or served on that company’s compensation committee; and
  - (e) The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million or 2% of such other company’s consolidated gross revenues.
- (2) In addition, the following shall be used by the Board to determine if a director qualifies as independent:

- (a) Has not received, during the current calendar year or the immediately preceding calendar year, remuneration, directly or indirectly, other than *de minimus* remuneration, as a result of service as, or being affiliated with an entity that serves as (i) an advisor, consultant, or legal counsel to the Company or to a member of the Company's senior management; or (ii) a significant supplier of the Company;
- (b) Has no personal services contract(s) with the Company, or any member of the Company's senior management;
- (c) Is not an employee or officer with a not-for-profit entity that receives significant contributions from the Company; it being understood that contributions to organizations that are less than five percent of that organization's total annual charitable awards are not considered significant;
- (d) Is not employed by a public company at which an executive officer of the Company serves as a director;
- (e) Has not had any of the relationships described in subsections a-d immediately above, with any affiliate of the Company;
- (f) Is not a member of the immediate family of any person described in subsections a-d immediately above; and
- (g) Does not have beneficial ownership interest of five percent or more in an entity which has received remuneration, other than *de minimus* remuneration, from the Company, its subsidiaries, or affiliates.

An "immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law and anyone (other than domestic employees) who shares such person's home.

De minimus remuneration is defined as (a) direct remuneration of \$120,000 or less received from the Company, its subsidiaries, or affiliates during a calendar year (other than compensation for board service, benefits under a tax-qualified retirement plan, or non discretionary compensation), or (b) indirect remuneration paid to an entity if such remuneration does not exceed the greater of \$1 million or two percent of consolidated gross revenues of the entity in a calendar year and did not directly result in an increase in the compensation received by the director from that entity.

Members of the Audit and Oversight Committee must also satisfy an additional independence requirement. They may not directly or indirectly receive any compensation from the Company other than directors' compensation.