

CMS ENERGY CORP
Form DEF 14A
March 21, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

CMS Energy Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

CMS ENERGY

CONSUMERS ENERGY

2019 COMBINED PROXY STATEMENT

CMS ENERGY CORPORATION

Consumers Energy Company

NOTICE OF ANNUAL MEETINGS OF

SHAREHOLDERS

To Shareholders of CMS Energy Corporation and Consumers Energy Company:

The CMS Energy Corporation (“CMS”) Annual Meeting of Shareholders and the Consumers Energy Company (“Consumers”) Annual Meeting of Shareholders (collectively “Annual Meeting”) will be held concurrently on Friday, May 3, 2019, at 10:00 a.m., Eastern Daylight Saving Time, at the corporate headquarters, One Energy Plaza, Jackson, Michigan 49201 for the purpose of considering the following matters:

For Both CMS and Consumers Shareholders:

Elect the Director Nominees Named in this Proxy Statement to the Board of Directors
Approve, on an advisory basis, executive compensation
Ratify the appointment of independent registered public accounting firm
Transact such other business as may properly come before the Annual Meeting and any adjournment or postponement

**Board of Directors
Recommendation**

FOR EACH
FOR
FOR

For CMS Shareholders Only:

Vote on a shareholder proposal relating to political contributions disclosure, if properly presented

**Board of Directors
Recommendation**

AGAINST

All shareholders of record at the close of business on March 5, 2019, are entitled to receive notice of and vote at the Annual Meeting. Whether or not you plan to attend the Annual Meeting, you can vote prior to the meeting by telephone, Internet, proxy card or voting instruction form. We encourage you to exercise your right to vote. All shares of Consumers common stock held by CMS 99.6% of the voting shares of Consumers) will be voted for the proposed Director nominees, thus assuring their election as Directors of Consumers, as well as for the other recommendations of the Consumers’ Board of Directors.

By Order of the Boards of Directors,

Melissa M. Gleespen

Vice President,

Corporate Secretary and

Chief Compliance Officer

CMS Energy Corporation

Consumers Energy Company

March 21, 2019

Important Notice Regarding the Availability of Proxy Materials for
the Annual Meeting of Shareholders to Be Held on May 3, 2019.

**This Proxy Statement and Annual Report to Shareholders are available at
<https://materials.proxyvote.com/125896> for CMS and
<https://materials.proxyvote.com/210518> for Consumers.**

Proxy Statement

TABLE OF CONTENTS

<u>Proposal 1: Elect the Director Nominees Named in this Proxy Statement to the Board of Directors</u>	<u>PAGE 3</u>
<u>Corporate Governance</u>	<u>PAGE 14</u>
<u>14 Governance Guidelines and Materials</u>	
<u>14 Board of Directors</u>	
<u>14 Board Leadership Structure</u>	
<u>15 Risk Oversight</u>	
<u>15 Cybersecurity Oversight</u>	
<u>15 Political Contribution Oversight</u>	
<u>15 Public Responsibility and Sustainability Oversight</u>	
<u>16 Shareholder Engagement</u>	
<u>16 Board Communication Process</u>	
<u>17 Identification of Director Candidates</u>	
<u>18 Director Candidate Qualifications</u>	
<u>18 Director Tenure</u>	
<u>19 Director Independence</u>	
<u>19 CMS Majority Voting Standard</u>	
<u>20 Director Education</u>	
<u>20 Board, Committee and Director Evaluations</u>	
<u>20 Board and Committee Information</u>	
<u>22 Compensation Risk</u>	
<u>22 Codes of Ethics</u>	
<u>22 Related Party Transactions</u>	
<u>23 No Pledging or Hedging</u>	
<u>23 Management Succession Planning</u>	
<u>23 CEO Pay Ratio</u>	
<u>25 Directors' Compensation</u>	
<u>Beneficial Ownership</u>	<u>PAGE 27</u>
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	<u>PAGE 29</u>
<u>Compensation Discussion and Analysis</u>	<u>PAGE 29</u>
<u>29 Executive Summary</u>	
<u>34 Objectives of Our Executive Compensation Program</u>	
<u>37 The Elements of Our Executive Compensation Program</u>	
<u>46 Corporate Governance as it Relates to Executive Compensation</u>	
<u>47 Tax Deductibility of Compensation</u>	
<u>Compensation and Human Resources Committee Report</u>	<u>PAGE 48</u>
<u>2018 Compensation Tables</u>	<u>PAGE 49</u>
	<u>PAGE 65</u>

Proposal 2: Approve, on an Advisory Basis, Executive Compensation

Report of the Audit Committee **PAGE 67**

Fees Paid to the Independent Registered Public Accounting Firm **PAGE 68**

Proposal 3: Ratify the Appointment of Independent Registered Public Accounting Firm **PAGE 69**

Proposal 4: Vote on a Shareholder Proposal Relating to Political Contributions Disclosure (CMS) **PAGE 70**

2020 Proxy Statement Information **PAGE 73**

General Information **PAGE 74**

Appendix A **PAGE 79**

TABLE OF CONTENTS

Proxy Statement Summary

Meeting Information**Record Date:** March 5, 2019

May 3, 2019 • 10:00 a.m. EDT

One Energy Plaza, Jackson, Michigan 49201 **Proxy Materials Released:** March 21, 2019

The terms “Corporation,” “we,” “our” and other representations as used in this Proxy Statement generally refer to both CMS Energy Corporation (“CMS”) and its principal subsidiary, Consumers Energy Company (“Consumers”).

This summary highlights information contained elsewhere in this Proxy Statement and does not contain all of the information that you should consider. We encourage you to read this entire Proxy Statement carefully before voting.

Proposals	CMS Shareholders	Consumers Shareholders	Board Recommendation	Page Reference
Elect the Director Nominees Named in this Proxy Statement to the Board of Directors	X	X	FOR EACH	<u>3</u>
Approve, on an advisory basis, executive compensation	X	X	FOR	<u>65</u>
Ratify the appointment of independent registered public accounting firm	X	X	FOR	<u>69</u>
Vote on a shareholder proposal relating to political contributions disclosure, if properly presented	X		AGAINST	<u>70</u>

A shareholder has notified CMS of his intent to propose a resolution at the Annual Meeting that, if approved, would, among other things, request that CMS publish a report of actually incurred corporate costs and associated actual and significant benefits accruing to shareholders and the climate from the company’s climate-related activities that are voluntary and exceed government regulatory requirements. This shareholder proposal is referred to as the “Floor Proposal” and was not submitted under Rule 14a-8 under the Exchange Act and the shareholder did not seek to have the Floor Proposal included in this Proxy Statement. Accordingly, the Floor Proposal may be presented at the meeting but is not included in this Proxy Statement. If the Floor Proposal is presented at the Annual Meeting, then the proxies will have, and intend to exercise, discretionary voting authority under Rule 14a-4(c) under the Exchange Act to vote AGAINST the Floor Proposal.

How to Vote

Online: You can vote your shares online by following the instructions on your proxy card, voting instruction form or Notice of Availability.

Edgar Filing: CMS ENERGY CORP - Form DEF 14A

- Telephone:** You can vote your shares by telephone by following the instructions on your proxy card, voting instruction form or Notice of Availability.
- Mail:** You can vote your shares by mail by requesting a printed copy of the Proxy Materials and signing, dating and mailing in the proxy card or voting instruction form.
- Attend:** You can vote your shares in person by attending and voting at the Annual Meeting.

1

TABLE OF CONTENTS

Governance Highlights

Number of Director Nominees	11
Number of Independent Directors	9
Audit, Compensation and Human Resources, Finance, and Governance, Sustainability and Public Responsibility Committees Consist Entirely of Independent Directors	Yes
Annual Election of All Directors	Yes
Presiding Director Annually Elected by Independent Directors	Yes
Policy on Director and Committee Chair Term Limits	Yes
Annual Advisory Say-on-Pay Vote	Yes
Independent Directors Meet Regularly in Executive Session	Yes
Annual Board and Committee Self Evaluations	Yes
Individual Director Peer Evaluations	Yes
Codes of Business Conduct and Ethics	Yes
Corporate Governance Principles	Yes
Sustainability Report	Yes
Climate Assessment Report	Yes
Stock Ownership Guidelines for Directors and Executive Officers	Yes
Proxy Access	Yes
Shareholder Rights Plan (Poison Pill)	No

Nominees

Name	Age	Gender and Ethnic Diversity	Director Since (# of Years)	Independent Committee Memberships				
				Compensation and Human Resources	Finance	Governance, Sustainability and Public Responsibility	Executive	
Jon E. Barfield	67	•	2005 (14)	Yes	X		X	
Deborah H. Butler	64	•	2015 (4)	Yes	X	X		
Kurt L. Darrow	64		2013 (6)	Yes	Chair	X		X
Stephen E. Ewing	75		2009 (10)	Yes	X	Chair		X
William D. Harvey	70		2012 (7)	Yes	X		Chair	X
Patricia K. Poppe	50	•	2016 (3)	No				
John G. Russell	61		2010 (9)	No				Chair
Suzanne F. Shank	57	•	2019	Yes	X	X		
Myrna M. Soto	50	•	2015 (4)	Yes	X		X	
John G. Sznwajs	51		2015 (4)	Yes	X	X		
Laura H. Wright	59	•	2013 (6)	Yes	Chair	X		X

Average Age of Director Nominees: 61 Average Tenure of Director Nominees: 6 years

TABLE OF CONTENTS

Proxy Statement

While CMS and Consumers are established, operated and regulated as separate legal entities, CMS and Consumers have the same individuals serve as members on each Board of Directors and each Board Committee and have adopted coordinated director and executive compensation arrangements and plans as well as auditing relationships. The two companies also have significant overlap in executive management. Although in certain contexts in this Proxy Statement the terms “we” and “our” refer to each of CMS and Consumers and satisfy their respective disclosure obligations, this Combined Proxy Statement is separately filed by CMS and Consumers. Information in this Combined Proxy Statement relating to each individual registrant is filed by such registrant on its own behalf. Unless specifically noted, singular references to “Board,” “Committee,” “Corporation,” and “Annual Meeting” refers to both CMS and Consumers.

Proposal 1:

Elect the Director Nominees Named in this Proxy Statement to the Board of Directors

There are 11 nominees for election as directors of CMS and Consumers, to hold office until the next annual meeting and until their successors are elected and qualified. The Board believes that the nominees will be available to serve, but in the event any nominee is unable to do so, the proxies will be voted for a substitute nominee designated by the Board or the number of directors constituting the full Board will be reduced accordingly.

All of the nominees are currently serving as Directors. All eleven nominees have accepted their nomination and agree to serve if elected. Suzanne F. Shank was appointed to the Boards in January 2019, but was not previously elected by shareholders. Stephen E. Ewing has reached the retirement age of 75, as stated in our Amended and Restated Corporate Governance Principles (“Principles”). However, in light of his experience, skills, qualifications and core competencies as well as the Board’s current needs, the Board believes that it is in the best interests of the Corporation and its shareholders to have Director Ewing re-elected and serve until the next annual meeting.

The following table identifies the balance of experience, skills and qualifications that the nominees bring to the Board. The skills and qualifications that are marked below are reviewed by the Governance, Sustainability and Public Responsibility Committee (“Governance Committee”) and the Board when making nomination decisions and reviewing Board succession planning and the fact that a particular skill or qualification is not designated does not mean nominees do not also possess the specific experience and qualifications. The table below illustrates how the Board is well-positioned to provide direction and oversight with respect to our overall performance, strategic direction and significant corporate policies.

TABLE OF CONTENTS

	Barfield	Butler	Darrow	Ewing	Harvey	Poppe	Russell	Shank	Soto	Sznewajs	Wright	Percentage of Total Board
Core Competencies												
Senior Leadership	•	•	•	•	•	•	•	•	•	•	•	100%
Finance, Accounting or Financial Reporting	•		•	•	•	•	•	•	•	•	•	91%
Regulatory Environment/Governmental Affairs	•	•	•	•	•	•	•	•	•	•	•	100%
Risk Management	•	•	•	•	•	•	•		•	•	•	91%
Customer Experience Information	•	•	•	•	•	•	•	•	•		•	91%
Technology/Safety and Security		•		•	•	•			•	•	•	64%
Utility Experience				•	•	•	•					36%
Strategic Planning and Governance	•	•	•	•	•	•	•	•	•	•	•	100%
Sustainability and Environmental	•	•	•	•	•	•	•		•	•	•	91%
Human Resources and Executive Compensation	•	•	•	•	•	•	•		•	•	•	91%
Lean		•	•		•	•			•	•		55%
Demographics and Board Tenure												
Ethnic Diversity	•							•	•			27%
Gender Diversity		•				•		•	•		•	45%
Board Tenure (Yrs)	14	4	6	10	7	3	9	0	4	4	6	6 years average tenure
Age (as of 2019 Annual Meeting)	67	64	64	75	70	50	61	57	50	51	59	61 years average age

TABLE OF CONTENTS

Core Competencies have an impact on our purpose, which is measured by our “triple bottom line” of people, planet, and profit, underpinned by performance.

Core Competencies and Relevance to CMS and Consumers

Senior Leadership	Senior Leadership experience is important to understanding and overseeing our complex organization and empowering employees through individual growth and development.
Finance, Accounting or Financial Reporting	Finance, Accounting or Financial Reporting experience is important in overseeing our financial management and capital allocation, as well as ensuring accurate financial reporting processes and robust controls.
Regulatory Environment/Governmental Affairs	Regulatory Environment and Governmental Affairs experience is important in understanding the regulated nature of the utility industry, providing insight and perspective in working constructively and proactively with governmental agencies and helping shape public policy initiatives and regulation/legislation.
Risk Management	Risk Management experience is important to oversee our robust enterprises risk management program and mitigate key risks to the Company.
Customer Experience	Customer Experience is important as we focus on meeting customer expectations and transforming the customer experience, including mobile and digital experiences.
Information Technology/Safety and Security	Information Technology/Safety and Security experience is important in overseeing the enhancement and security of our business and operational systems (both physical and cyber), including information security, data privacy, cybersecurity, customer experience, financial systems and internal and grid operations.
Utility Experience	Utility Experience is important in understanding the technical nature of our business and to help inform our views on utility-related matters, such as energy markets and economics, technology, renewable energy, electric and gas transmission and distribution, public policy and safety.

TABLE OF CONTENTS

Strategic Planning and Governance	Strategic Planning and Governance experience is important in order to define and drive strategic direction and growth and oversee our operations as well as contributing to the Board's understanding of best practices in corporate governance matters.
Sustainability and Environmental	We place the highest priority on the health and safety of our workforce and protection of our customers, assets, communities and the environment, therefore Sustainability and Environmental experience is important to manage our sustainability practices, including environmental, social and governance matters and continue our commitment to improving our environmental performance and reducing the potential negative impacts of our operations.
Human Resources and Executive Compensation	Human Resources and Executive Compensation experience is important to ensure our ability to recruit, retain and develop key talent essential to our operations.
Lean	Lean experience is important to improve safety, quality, cost, delivery and morale simultaneously by using quality tools to clearly define problems and solve them closest to the customer and drive improved performance, enhanced organizational focus and a culture of continuous improvement.
Diverse Attributes	Diverse Attributes support our commitment to diversity and inclusion through age, ethnicity, gender, and race and contributes to and supports informed decision making.

TABLE OF CONTENTS

The name, age and business experience of each nominee follows, as well as a description of the specific experience, qualifications, and core competencies of each nominee that led to the Board's conclusion that such nominee should serve as director.

Jon E. Barfield. 67, is president and chief executive officer of LJ Holdings Investment Company LLC, a private investment company. In March 2012, he retired from Bartech Group, Inc. ("Bartech") where he served since 1981 as president and from 1995 to March 2012 as chairman and president of this industry-leading professional services firm, with headquarters in Southfield, Michigan, delivering talent management, business process outsourcing and managed services provider solutions to Global 1,000 firms.

Bartech manages the daily work assignments for more than 120,000 associates and more than \$4.7 billion in annual procurement for major employers around the world, making Bartech (now owned by Impellam Group, PLC) one of the largest talent acquisition and managed service provider firms in the United States. During the past five years, Barfield previously served as a director of Blue Cross Blue Shield of Michigan and Good Technology Corporation. He has been a director of CMS and Consumers since August 2005.

Skills and Qualifications:

Barfield brings to the Board legal knowledge and experience, having practiced corporate and securities law at Sidley Austin LLP. His qualifications to serve as a director stem primarily from his experiences as a senior leader, and his varied service as a director with considerable experience regarding legal risk oversight and risk management, financial reporting, attracting and retaining key talent and related human resources experience, corporate governance, customer service and marketing, and mergers and acquisitions. He served for many years as chairman of the audit committee of the Princeton University Board of Trustees.

Core Competencies:

Senior Leadership
Finance, Accounting or Financial Reporting
Regulatory Environment/Governmental Affairs
Risk Management
Customer Experience
Strategic Planning and Governance
Sustainability and Environmental
Human Resources and Executive Compensation

TABLE OF CONTENTS

Deborah H. Butler. 64, retired in October 2015 as the executive vice president of planning and chief information officer of Norfolk Southern Corporation (“Norfolk Southern”), which is engaged in the rail transportation of raw materials, intermediate products and finished goods. Butler joined Norfolk Southern in 1978 and served in positions of increasing responsibility in operations until being named assistant vice president transportation customer service in 2000 and vice president customer services in 2002, a position she held until her appointment as executive vice president in 2007. She has been a director of CMS Energy and Consumers Energy since January 2015.

Skills and Qualifications:

Butler’s qualifications for service on the Board include her extensive experience in operations, leadership, customer service, sustainability and environment, safety, regulatory environment, strategic planning and information technology derived from her varying roles at Norfolk Southern. Butler previously served as chairman of the board of Thoroughbred Technology and Telecommunications, LLC, a Norfolk Southern subsidiary, and previously served as a board member of TTX Company, Inc., which provides railcars and related freight car management services to the North American rail industry.

Core Competencies:

- Senior Leadership
- Regulatory Environment/Governmental Affairs
- Risk Management
- Customer Experience
- Information Technology/Safety and Security
- Strategic Planning and Governance
- Sustainability and Environmental
- Human Resources and Executive Compensation
- Lean

Kurt L. Darrow. 64, has served since 2003 as the president and chief executive officer of La-Z-Boy Incorporated (“La-Z-Boy”), an integrated furniture retailer and manufacturer. Since joining La-Z-Boy in 1979, he has served in positions of increased responsibility, including president of La-Z-Boy Residential, its largest division. Darrow has served as a board member of La-Z-Boy since 2003 and was elected as chairman of the Board in 2011. He has been a director of CMS Energy and Consumers Energy since November 2013.

Skills and Qualifications:

Darrow's qualifications for service on the Board include his extensive public company experience spanning 39 years, and his thorough strategic, marketing and leadership experience and customer orientation derived from his varying roles at La-Z-Boy, including his current chairman and chief executive officer roles. Darrow is a member of the Business Leaders for Michigan, a non-profit executive leadership organization, and serves on its executive committee. He serves as a member of the ProMedica Board of Trustees and chairman of the ProMedica Monroe Regional Hospital Board of Trustees. Darrow is a former chairman of the American Home Furnishings Alliance and continues to serve as director emeritus. He served as a Trustee of Adrian College until May 2011.

Core Competencies:

Senior Leadership
Finance, Accounting or Financial Reporting
Regulatory Environment/Governmental Affairs
Risk Management
Customer Experience
Strategic Planning and Governance
Sustainability and Environmental
Human Resources and Executive Compensation
Lean

TABLE OF CONTENTS

Stephen E. Ewing, 75, retired in 2006 as vice chairman of DTE Energy, a Detroit-based diversified energy company involved in the development and management of energy-related businesses and services nationwide and from 2001 to 2005 was the Group President of the Gas Division of DTE Energy. He currently serves on the board of National Fuel Gas Company, a diversified energy company. He has been a director of CMS Energy and Consumers Energy since July 2009.

Skills and Qualifications:

Ewing brings to the Board valuable hands-on experience in the regulated gas and electric utility business. He was the president and chief executive officer of Michigan Consolidated Gas Company until it was acquired by DTE Energy in 2001. He was the former president and chief operating officer of MCN Energy. During his energy industry career, he also gained in-depth environmental experience related to exploration, production, drilling, mid-stream operations and hybrid vehicles. Ewing is a director of AAA Michigan and also is past chairman of the Auto Club Group. He serves as director of The Auto Club Trust, FSB, which conducts business as AAA Bank, Nebraska. He previously served as chairman of The Skillman Foundation.

Core Competencies:

Senior Leadership
Finance, Accounting or Financial Reporting
Regulatory Environment/Governmental Affairs
Risk Management
Customer Experience
Utility Experience
Strategic Planning and Governance
Sustainability and Environmental
Human Resources and Executive Compensation

William D. Harvey, 70, retired in March 2012 as chairman and chief executive officer of Alliant Energy Corporation (“Alliant”) and its two utility subsidiaries, Interstate Power & Light Company and Wisconsin Power & Light Company (“WPL”). Harvey served in those positions since February 2006. Alliant is a Madison, Wisconsin-based public utility holding company, which provides regulated electricity and natural gas services through its subsidiary companies. He is a general partner of Shade Tree Investments Limited Partnership, a private family investment group. He has been a director of CMS and Consumers since August 2012. Harvey has served as Presiding Director since May 2016.

Skills and Qualifications:

Harvey brings to the Board legal knowledge and experience, having begun his career as an attorney in private practice and serving as General Counsel of WPL. Harvey’s qualifications for service on the Board include his long-term experience with public utility operations and publicly traded companies, knowledge of customer perspectives, utility and environmental regulations and safety and diversity initiatives. Harvey currently serves as a director of Sentry Insurance Company.

Core Competencies:

- Senior Leadership
- Finance, Accounting or Financial Reporting
- Regulatory Environment/Governmental Affairs
- Risk Management
- Customer Experience
- Information Technology/Safety and Security
- Utility Experience
- Strategic Planning and Governance
- Sustainability and Environmental
- Human Resources and Executive Compensation
- Lean

TABLE OF CONTENTS

Patricia K. Poppe, 50, has served since July 2016 as president and chief executive officer of CMS Energy and Consumers Energy. Prior to that, she served since March 2015 as senior vice president of distribution operations, engineering and transmission for CMS Energy and Consumers Energy, with overall responsibility for Consumers Energy's electric and natural gas distribution systems, energy operations and electric transmission. Prior to that, she served since January 2011 as vice president of customer experience, rates and regulation of Consumers Energy. She has been a director of CMS Energy and Consumers Energy since May 2016.

Skills and Qualifications:

Poppe is qualified to serve on the Board based on her experience and knowledge gained in the utility and automotive industries. She has extensive utility knowledge, including customer experience and satisfaction, rates and regulation, generation, and distribution. The Board benefits from Poppe's prior leadership roles with DTE Energy, including overseeing five electric generating facilities, and her experience holding a variety of plant management positions in the automotive industry. She currently serves on the boards of the Business Leaders for Michigan, Detroit Regional Chamber, American Gas Association and Edison Electric Institute.

Core Competencies:

Senior Leadership
Finance, Accounting or Financial Reporting
Regulatory Environment/Governmental Affairs
Risk Management
Customer Experience
Information Technology/Safety and Security
Utility Experience
Strategic Planning and Governance
Sustainability and Environmental
Human Resources and Executive Compensation
Lean

TABLE OF CONTENTS

John G. Russell. 61, has served since May 2016 as Chairman of the Boards of CMS Energy and Consumers Energy. He served from May 2010 to July 2016 as president and chief executive officer of CMS Energy and president and chief executive officer of Consumers Energy. Prior to that he served from October 2004 to May 2010 as president and chief operating officer of Consumers Energy; he served from December 2001 to July 2004 as executive vice president and president and chief executive officer—electric of Consumers Energy; and from July 2004 to October 2004 as executive vice president and president—electric and gas of Consumers Energy. He serves on the board of Hubbell Incorporated. He has been a director of CMS Energy and Consumers Energy since May 2010.

Skills and Qualifications:

Russell is qualified to serve on the Board based on the knowledge and experience acquired throughout his more than 30 years with Consumers Energy. He has in-depth knowledge of all aspects of the utility. His vast experience within the regulated utility industry, hands-on experience and the leadership positions he has held have provided him with a perspective from which the Board greatly benefits. He currently serves on the board of Grand Valley State University. Russell previously served as a director on the boards of Business Leaders for Michigan, The Right Place, Inc., the Michigan Chamber of Commerce, the American Gas Association and Edison Electric Institute.

Core Competencies:

Senior Leadership
Finance, Accounting or Financial Reporting
Regulatory Environment/Governmental Affairs
Risk Management
Customer Experience
Information Technology/Safety and Security
Utility Experience
Strategic Planning and Governance
Sustainability and Environmental
Human Resources and Executive Compensation

Suzanne F. Shank. 57, has served since 1996 as chief executive officer and a co-founder, and since 2015 as chairwoman, of Siebert Cisneros Shank & Co., L.L.C., a full-service investment bank that has managed or

co-managed over \$2 trillion in municipal bond, corporate bond and equity transactions. Prior to her financial services career, Shank was a structural engineer for General Dynamics. She currently serves on the board of Pensare Acquisition Corp. She has been a director of CMS Energy and Consumers Energy since January 2019.

Skills and Qualifications:

Shank brings over 30 years of experience in the financial services industry, including extensive experience developing strategies for new business growth nationally and managing financial, operational and regulatory matters. She currently serves as a director of the Skillman Foundation, Detroit Institute of Arts, Detroit Regional Chamber, Global Citizen and Invest Detroit. Shank also serves on the Wharton Graduate Board of Trustees, the Spelman College Board of Trustees and on the Executive Council on Infrastructure for the Bipartisan Policy Center. She is also a member of the International Women's Forum and the Securities and Exchange Commission's Fixed Income Market Structure Advisory Committee.

Core Competencies:

- Senior Leadership
- Finance, Accounting or Financial Reporting
- Regulatory Environment/Governmental Affairs
- Customer Experience
- Strategic Planning and Governance

TABLE OF CONTENTS

Myrna M. Soto, 50, has served since March 2019 as a venture advisor of ForgePoint Capital (formerly known as Trident Capital Cybersecurity) (“ForgePoint”), a venture capital firm investing exclusively in cybersecurity. She served as a partner at ForgePoint since April 2018. At ForgePoint, Soto provides advisory and operational oversight to ForgePoint’s portfolio companies from time to time. Prior to joining ForgePoint, she served since August 2015 as the senior vice president and global chief information security officer of Comcast Corporation (“Comcast”), which operates as a worldwide media and technology company. Soto served from 2009 to August 2015 as senior vice president and chief infrastructure and information security officer. Soto was responsible for the alignment and development of cyber and data security strategies and policies. Prior to joining Comcast in September 2009, Soto served since 2005 as vice president of information technology governance and chief information security officer for MGM Resorts International, a global hospitality company. Soto currently serves on the board of Spirit Airlines, Inc. and Popular, Inc. She has been a director of CMS and Consumers since January 2015.

Skills and Qualifications:

Soto brings over 20 years of focused information technology and security experience from a variety of industries, including financial services, hospitality, insurance and risk management and gaming and entertainment. Soto serves as an executive committee board member of the Hispanic IT Executive Council and as a member of the Board of Trustees of Cabrini College.

Core Competencies:

Senior Leadership
Finance, Accounting or Financial Reporting
Regulatory Environment/Governmental Affairs
Risk Management
Customer Experience
Information Technology/Safety and Security
Strategic Planning and Governance
Sustainability and Environmental
Human Resources and Executive Compensation
Lean

John G. Sznewajs, 51, has served since 2007 as the vice president and chief financial officer of Masco Corporation (“Masco”), which operates as a global leader in design, manufacture and distribution of branded

building products. Sznewajs is responsible for strategic and operational financial functions and also has oversight of information technology and several of Masco's European businesses. Sznewajs also served as the treasurer of Masco from 2005 until 2016. He has been a director of CMS Energy and Consumers Energy since July 2015.

Skills and Qualifications:

In addition to his financial expertise, Sznewajs has almost 20 years of experience in business and corporate development. His extensive background and knowledge in financial matters, which he has gained over his career, along with in-depth experience in enterprise-wide strategy, qualify him to serve on the Board. He serves as director and treasurer of the Detroit Zoological Society and as a trustee of The Roeper School.

Core Competencies:

Senior Leadership
Finance, Accounting or Financial Reporting
Regulatory Environment/Governmental Affairs
Risk Management
Information Technology/Safety and Security
Strategic Planning and Governance
Sustainability and Environmental
Human Resources and Executive Compensation
Lean

TABLE OF CONTENTS

Laura H. Wright. 59, founded GSB Advisory LLC to provide interim executive and financial management to growth and non-profit companies after her retirement in 2012. In September 2012, she retired from Southwest Airlines Co. (“Southwest”) as senior vice president of finance and chief financial officer, positions she had held since July 2004. During her 25-year career with Southwest, she held various positions, including vice president of finance and treasurer, treasurer, assistant treasurer and other financial roles. Southwest is based in Dallas, Texas, and is engaged in the operation of passenger airlines that provide scheduled air transportation in the United States. Wright currently serves as a board member of TE Connectivity Ltd. and Spirit AeroSystems Holdings, Inc. Until February 2019, she served as a trustee of Pebblebrook Hotel Trust. She has been a director of CMS Energy and Consumers Energy since February 2013.

Skills and Qualifications:

As an active certified public accountant, the Board benefits from Wright’s extensive technical expertise and experience in financial accounting and reporting, corporate finance and risk management. She has extensive experience working in a consumer-oriented business environment. Prior to Southwest, Wright was a manager with Arthur Young & Co. in Dallas. Wright is a member of the Texas Society of Certified Public Accountants.

Core Competencies:

- Senior Leadership
- Finance, Accounting or Financial Reporting
- Regulatory Environment/Governmental Affairs
- Risk Management
- Customer Experience
- Information Technology/Safety and Security
- Strategic Planning and Governance
- Sustainability and Environmental
- Human Resources and Executive Compensation

Each of the CMS and Consumers Boards recommend a vote FOR the election of each Director nominee named above.
13

TABLE OF CONTENTS

Corporate Governance

Governance Guidelines and Materials

The Board and management review and monitor governance trends and best practices on an ongoing basis. The Board has adopted Principles that reflect corporate and Board practices as well as Securities and Exchange Commission (“SEC”) rules and the New York Stock Exchange (“NYSE”) listing standards. The Governance Committee is responsible for overseeing and reviewing our Principles at least annually and recommending any proposed changes to the Board for approval. The Principles intend to serve as a flexible framework within which the Board and its Committees operate. Except for the Executive Committee, the Board has adopted charters for each of the standing Committees that detail their purposes, duties and authority, composition, meetings and resources as well as other aspects of Committee activities (“Charters”), which are further described under *Board and Committee Information* below. Each Committee reviews its Charter annually and recommends changes to the Governance Committee for review and recommendation to the Board for approval.

The current version of our Principles, Amended and Restated Bylaws (“Bylaws”), Charters, Employee and Director Codes of Conduct (“Codes”) and other corporate governance materials are available at www.cmsenergy.com/corporategovernance.

Board of Directors

The Board provides direction and oversight with respect to our overall performance, strategic direction and significant corporate policies. The Board approves major initiatives, advises on key financial and business objectives, and monitors progress with respect to these matters. Directors are kept informed of our business by various reports and documents provided to them on a regular basis, including operating and financial reports made at Board and Committee meetings. The Board has full and direct access to all members of management and may hire consultants and advisors as deemed necessary.

Board Leadership Structure

As stated in our Principles, the Board has determined that for the present time, it is in the best interests of the Corporation and shareholders to keep the offices of Chief Executive Officer (“CEO”) and Chairman separate to enhance oversight responsibilities. The Board believes that this leadership structure promotes independent and effective oversight of management on key issues relating to long-range business plans, long-range strategic issues and risks. To further promote independent and effective oversight of management, our Principles also provide that at any time when

the Chairman is not considered independent under NYSE listing standards, a Presiding Director will be chosen by the independent directors to coordinate the activities and preside at the executive sessions attended only by the independent members of the Board. The Presiding Director provides the independent directors with a key means for collaboration and communication. Under our Bylaws, the Presiding Director will: (1) convene and chair meetings of the independent directors in executive session no less than once each year; (2) preside at meetings of the Board at which the Chairman of the Board is not present, including executive sessions of the independent directors; (3) solicit independent directors for advice on agenda items for meetings of the Board; (4) serve as a liaison between the Chairman of the Board, the President and the independent directors; and (5) perform such other duties as may be assigned by the Board from time to time. Russell, the current Chairman, is not a member of management, but as former CEO he is not considered independent under NYSE listing standards; therefore, on May 4, 2018, Harvey was re-elected as Presiding Director for the Board for a one-year term.

TABLE OF CONTENTS

Risk Oversight

The Board's risk oversight process includes regular reports from senior management on areas of material operational, legal, regulatory, financial, strategic, compliance, environmental, liability, safety, information technology, cybersecurity and reputational risk. The Board receives an annual risk management review from the Executive Director of Risk in addition to the risk oversight functions performed by the various Committees of the Board. These include: (1) a review by the Audit Committee of the risks associated with operating and financial activities which could impact its financial and other disclosure reporting, as well as a review of policies on risk assessment, controls and accounting risk exposure; (2) the Audit Committee's review and approval of risk management policies; (3) a review by the Compensation and Human Resources Committee ("Compensation Committee") of the potential risks associated with the Corporation's executive compensation policies and practices; and (4) the Compensation Committee's review of management's assessment of the likelihood that the incentive compensation plans will have a material adverse impact.

Cybersecurity Oversight

The Board is responsible for overseeing the Corporation's cybersecurity risk. Cybersecurity risks are included in the risk reports to the Audit Committee discussed above. The Audit Committee receives cybersecurity updates that focus on our most critical assets, cybersecurity drills, exercises, mitigation of cybersecurity risks and assessments by third-party experts.

Political Contribution Oversight

The Board oversees our political engagement policies, programs and practices. The Governance Committee is also responsible for advising and assisting the Board with respect to our political engagement. Our policies, including the governance and decision-making process for corporate political contributions, are described in detail at <https://www.cmsenergy.com/corporate-governance/political-engagement>. We believe Board oversight of our political activity along with the Board's alignment with our current disclosure standards provide the necessary accountability to ensure that political activities are conducted in the best interest of customers, shareholders and other stakeholders. Through Board oversight, we have maintained a rigorous compliance process to ensure that its political activities are lawful, properly disclosed and align with our Codes.

Public Responsibility and Sustainability Oversight

The Board oversees our public responsibility and sustainability practices. The Governance Committee is also responsible for advising and assisting the Board with respect to our public responsibility and sustainability matters. We are committed to corporate responsibility through our business, culture, environment and our communities – past, present and future. We conduct business safely and ethically to preserve the environment and sustain our communities while serving our customers across the state of Michigan. This aligns with our purpose, which is to achieve world class performance while delivering hometown service. We measure our progress towards this purpose by considering our impact on the “triple bottom line” of people, planet, and profit, which is underpinned by performance; this consideration takes into account not only the economic value that we create, but also our responsibility to social and environmental goals.

The planet element of the triple bottom line represents our commitment to protect the environment, which extends beyond complying with the various state and federal laws and regulations.

We are committed to caring for the environment as part of our strategic direction. Some of our environmental and sustainability achievements include the following:

TABLE OF CONTENTS

- In 2016, we retired seven coal-fueled electric generating units, representing 33 percent of Consumers' coal-fueled generating capacity.
- In 2018, we announced Consumers' clean energy goals which include no coal by 2040 and five year goals of saving 1 billion gallons of water, reducing waste to landfills by 35 percent and enhancing, restoring, or protecting 5,000 acres of land in Michigan.
- In 2018, we filed Consumers' Integrated Resource Plan, which includes plans for more than 90% carbon emissions reduction by 2040 and provides a strategic roadmap for reaching Consumers' clean energy goals by 2040.
- In 2018, we became the first companies in the United States to enter into Sustainability-linked loans.

Our environmental leadership has received recognition by third parties, including the following in 2018:

- Voted #1 in Michigan and #9 in the U.S. by Newsweek® in its annual Green Rankings.
- Received an ENERGY STAR® award from the U.S. Environmental Protection Agency for the sixth time in seven years.

We provide extensive public reporting and are forthcoming in disclosures about our environmental stewardship and long-term strategy. We address issues related to climate change in SEC, Environmental Protection Agency and other regulatory agency filings, and by voluntarily reporting our climate risk strategy and related data to CDP (formerly known as the Carbon Disclosure Project). We also publish an annual Sustainability Report and in 2018, we completed the EEI ESG & Sustainability Report and published our first Climate Assessment Report, which addresses the long-term implications of our electric supply fuel mix and capital expenditure plans.

We continually update and enhance disclosures relating to our sustainability efforts. These disclosures and updates can be found on our website at <https://www.cmsenergy.com/environment>.

We have created a cleaner, more sustainable energy future by taking a leadership position in reducing air emissions and water usage, saving landfill space and boosting the amount of renewable energy supplied to customers. We have also provided, and intend to continue providing, appropriate disclosures to our shareholders regarding climate change and the risks it poses.

Shareholder Engagement

As part of our overall corporate governance, we have an on-going outreach program to develop and maintain communication with our investors in regard to governance and compensation issues. We value these discussions and the Board considers pertinent feedback when evaluating corporate governance and compensation issues. In addition, management regularly participates in investor and industry conferences throughout the year to discuss performance, environmental, social and governance topics, and share its perspective on business and industry developments. Shareholders may also contact the Board with any inquiry or issue, by the methods described below and the Board will respond as appropriate.

Board Communication Process

Interested parties, including shareholders, employees or third parties can communicate with the Board, Committee, the independent directors as a group, or an individual director, including the Chairman, by sending written communications to the Corporate Secretary, One Energy Plaza, Jackson, Michigan 49201. Envelopes should be clearly marked “Board Communication” or “Director Communication.”

TABLE OF CONTENTS

The Corporate Secretary will review and forward, as appropriate, such correspondence in order to facilitate communications with the Board or its Committees, the independent directors or individual members.

Any shareholder, employee or third party who wishes to submit a compliance concern to the Board or applicable Committees, including complaints regarding accounting, internal accounting controls or auditing matters to the Audit Committee, may do so by any of the following means:

All such communications will be reviewed by the Chief Compliance Officer (who reports directly to the Audit Committee) prior to being forwarded to the Board or applicable Committees or directors, as appropriate.

Identification of Director Candidates

The Governance Committee is responsible for identifying and evaluating director candidates, seeking candidates to serve on the Board consistent with criteria approved by the Board, and recommending a slate of candidates for election at the Annual Meeting. There are numerous steps in identifying director candidates.

The Governance Committee will consider shareholder-recommended director nominees in accordance with the requirements of our Bylaws. The information that must be included and the procedures that must be followed by a shareholder wishing to recommend a director candidate for the Board's consideration are the same as would be required under our Bylaws if the shareholder wished to nominate that candidate directly. The Governance Committee will consider director candidates recommended by shareholders on the same basis that the Governance Committee evaluates other nominees for director.

CMS Bylaws also permit a shareholder, or a group of up to 20 shareholders, who have owned,

TABLE OF CONTENTS

continuously for at least three years, at least three percent of the outstanding shares of common stock of the Corporation to submit director nominees (not greater than two or 20% of the Board) for inclusion in its proxy statement if the shareholder(s) and the nominee(s) satisfy the requirements in the CMS Bylaws.

A director nomination that is not submitted for inclusion in the proxy statement but instead is sought to be presented directly at the Annual Meeting, must comply with the advance notice provisions in our Bylaws.

Any recommendation or nomination submitted by a shareholder regarding a director candidate must be submitted within the time frame provided in our Bylaws for director nominations and must include (a) a statement from the proposed nominee that he or she has consented to the submission of the recommendation or nomination and (b) such other information about the proposed nominee(s) and/or nominating shareholder(s) as is required by our Bylaws.

Written notice must be sent to the Corporate Secretary, One Energy Plaza, Jackson, Michigan 49201. You may access our Bylaws at www.cmsenergy.com/corporategovernance.

Director Candidate Qualifications

Director candidates are sought whose particular background, experiences and qualities meet the needs of the Board. The Board values high standards of integrity, business ethics and sound judgment, which add value, perspective and expertise to the Board's deliberations. The Governance Committee assesses, on a regular basis, the qualifications needed by the Board in light of the Board's current composition and recommends changes to the Board when appropriate; and determines from time to time other criteria for selection and retention of Board members. The Governance Committee has not established any specific, minimum qualifications that must be met by director candidates or identified any specific qualities or skills that the directors must possess. Although the Governance Committee has not established a formal policy on diversity, it has adopted, as a general guideline, that the Board will include a broad spectrum of diverse business, political, academic, demographic and social interests. The Governance Committee takes a wide range of factors into account in evaluating the suitability of director candidates, including experience in business, leadership, regulated utility, sustainability and environment, risk management, customer experience, safety, governance, accounting, finance, legal, information technology, lean practices, and compensation and human resources, which will bring a diversity of thought, perspective, approach and opinion to the Board. The Governance Committee does not have a single method for identifying director candidates but will consider candidates suggested by a wide range of sources. Shank is standing for election by the shareholders for the first time at this Annual Meeting. Shank was initially identified as a potential nominee by an officer and recommended for nomination by the Governance Committee. Shank was elected to the Board effective January 18, 2019. Shank is the only director nominee for the Annual Meeting who is standing for election by the shareholders for the first time.

Director Tenure

The Board believes that diversity in tenure adds value, perspective and expertise to the Board's deliberations, with longer-tenured directors bringing a deep understanding of the Corporation and shorter-tenured directors bringing a fresh perspective. Over the past seven years, the Board has added seven new directors. Director term limits, included in our Principles, state that Directors (other than the CEO) first elected after January 2017, may not serve on the Board for more than 15 years and Committee chairs (other than the Executive Committee) may not serve in such role for more than five years.

TABLE OF CONTENTS

Director Independence

Directors Barfield, Butler, Darrow, Ewing, Harvey, Shank, Soto, Sznewajs, and Wright are “independent” and Director Philip R. Lochner, Jr. who retired in 2018 was independent, as determined by the Board, in accordance with the NYSE listing standards, applicable rules and regulations of the SEC, our more stringent Independence Standards, as set forth in our Principles, and taking into consideration all business relationships between the Corporation and its subsidiaries and each non-employee director. Russell is not independent because he has been an employee of the Corporation within the last three years. Poppe is not independent due to her employment relationship with the Corporation.

The Board identified the following relationships which were deemed immaterial to such Directors’ independence:

- Charitable contributions made to organizations of which certain of the Directors are affiliated.

Purchases and sales of services, commodities, materials or equipment, to and from entities, during the ordinary course of business, on which certain of the Directors serve and all such transactions were significantly below one percent of the consolidated gross revenues of the counterparty to the transaction.

- Retail electricity or natural gas purchases from Consumers at rates or charges fixed in conformity with law or governmental authority.

In addition, the Board has affirmatively determined that each member of the Audit Committee and Compensation Committee is independent under NYSE listing standards, rules and regulations of the SEC and, if applicable, the Internal Revenue Code (“IRC”). Furthermore, the Board has determined that the ability of our Audit Committee members to serve on our Audit Committee is not impaired by service on other audit committees.

The Independence Standards, adopted by the Board as part of our Principles, can be found at www.cmsenergy.com/corporategovernance.

CMS Majority Voting Standard

Under the CMS Articles of Incorporation, CMS Bylaws and our Principles, any director nominee who receives less than a majority of the votes cast by the CMS shareholders at a regular election shall promptly tender his or her resignation. For this purpose, a majority of the votes cast means that the number of shares voted “for” a director must exceed 50% of the votes cast with respect to that director, not counting abstentions. Upon receipt of such a tendered resignation, the CMS Governance Committee shall consider and recommend to the CMS Board whether or not to

accept the resignation. The CMS Board will act on the CMS Governance Committee's recommendation within 90 days following certification of our shareholder vote, and contemporaneously with that action will cause CMS to publicly disclose the CMS Board's decision whether to accept or decline such director's resignation offer (and the reasons for rejecting the resignation offer, if appropriate). The director who tenders his or her resignation pursuant to the standard will not be involved in either the CMS Governance Committee's recommendation or the CMS Board's decision to accept or decline the resignation. Due to complications that arise in the event of a contested election of directors, this standard would not apply in that context, and the underlying plurality vote requirement of Michigan law would control any contested director elections.

TABLE OF CONTENTS

Director Education

Board members are expected to attend at least one continuing education program annually, sponsored by a recognized utility industry or corporate governance organization. All Director nominees, except one, serving in 2018, attended at least one continuing education program in 2018. Also, we have an internal director education program. The internal program includes corporate and industry information disseminated through orientation programs, business training modules and reports and operational site visits.

Board, Committee and Director Evaluations

The Board is committed to continuous self-improvement, and Board and Committee evaluations are an important tool for promoting effectiveness. The Board conducts a performance evaluation annually and periodically engages a third party to conduct individual Director peer evaluations. The Governance Committee, in consultation with the Chairman, oversees the Board, Committee and Director evaluation processes.

Board and Committee evaluations are conducted for the Board and each standing Committee. Each Director participates in the process by completing a questionnaire that reviews the previous year's performance. The questionnaire assesses, among other items, Board: 1) effectiveness, 2) meeting procedures, 3) operations, 4) composition, 5) accountability, and 6) future challenges. Directors may choose to provide their feedback anonymously. The Directors then discuss the evaluation results in executive session. Policies and practices are then updated to address feedback, as appropriate.

Director peer evaluations provide Directors an opportunity to evaluate each other and identify opportunities for their own growth and development. Peer evaluations and development follow-ups are facilitated by an independent third party and include confidential, open-ended, one-on-one interviews with each Director. The Board has conducted these periodic peer evaluations since 2008. The latest Director peer evaluation cycle began in 2018.

Board and Committee Information

The CMS and Consumers Board each met nine times during 2018. Our Principles state the expectation that each Director will attend all scheduled Board and Committee meetings of which he or she is a member, as well as the Corporation's annual meeting of shareholders. All Directors serving during 2018 attended more than 75% of the Board and assigned Committee meetings. Overall, the Directors attended 99% of the Board and assigned Committee meetings. The then-current Board members, except one, attended the 2018 annual meeting of shareholders.

The Board has five standing Committees including an Audit Committee, a Compensation Committee, an Executive Committee, a Finance Committee and a Governance Committee. The members and the responsibilities of the standing Committees of the Boards are listed below. Other than the Executive Committee, of which Russell serves as Chair, each Committee is composed entirely of “independent” Directors, as that term is defined by the NYSE listing standards and our Principles described above. Committees may also invite members of management or others to attend their meetings as they determine appropriate. Poppe and Russell routinely attend committee meetings.

On a regularly-scheduled basis, the non-employee Directors meet in executive session (that is, with no employee Directors present) and may invite such members of management to attend as they determine appropriate. At least once each year, the independent Directors meet in executive session in conformance with the NYSE listing standards. In 2018, the CMS independent Directors met three times and the Consumers independent Directors met three times. In 2018, Presiding Director Harvey presided over the executive sessions of independent Directors.

TABLE OF CONTENTS

	Members		2018 Meetings
Committees	*Committee Chairperson	Primary Responsibilities	CMS Consumers
	Jon E. Barfield ⁺	<ul style="list-style-type: none"> • Oversee the integrity of consolidated financial statements and financial information, the financial reporting process and the system of internal accounting and financial controls and to retain independent auditors. 	
	Suzanne F. Shank ⁺ (1)	<ul style="list-style-type: none"> • Pre-approve all audit and non-audit services provided by the independent auditors, assess the independent auditors' qualifications and independence and review the independent auditors' performance. 	7 7
Audit Committee	Myrna M. Soto	<ul style="list-style-type: none"> • Oversee compliance with applicable legal and regulatory requirements and with the Codes. 	
	John G. Szniewajs ⁺	<ul style="list-style-type: none"> • Oversee our risk management policies, controls and exposures, including cyber. 	
	Laura H. Wright ^{**}	<ul style="list-style-type: none"> • Review the performance of the internal audit function and prepare the Report of the Audit Committee for inclusion in the Proxy Statement. 	
	+ "Audit Committee Financial Expert" as such term is defined by the SEC. All members are financially literate.	<ul style="list-style-type: none"> • Review and approve the executive compensation structure and policies and set the CEO compensation level. 	3 3
Compensation and Human Resources Committee	Deborah H. Butler	<ul style="list-style-type: none"> • Review and recommend to the Board incentive compensation plans, review and approve the grant of stock and other stock-based awards pursuant to the incentive plans and review and approve corporate financial and business goals and target awards, and the payment of performance incentives, pursuant to the annual incentive plans. 	
	Kurt L. Darrow*	<ul style="list-style-type: none"> • Produce an annual report of the Compensation Committee to be included in the Proxy Statement as required by SEC rules and regulations. 	
	Stephen E. Ewing	<ul style="list-style-type: none"> • Review and approve the CEO's selection of candidates for officer positions and recommend such candidates to the Board for annual or ad hoc elections. 	
	William D. Harvey	<ul style="list-style-type: none"> • Review and approve officer stock ownership guidelines and compliance. 	
		<ul style="list-style-type: none"> • Review and advise the Board concerning the management succession plan and review the 	

Edgar Filing: CMS ENERGY CORP - Form DEF 14A

		organizational and leadership development plans and programs.		
	Deborah H. Butler	<ul style="list-style-type: none"> Review and make recommendations to the Board concerning the financing and investment plans and policies. 		
	Kurt L. Darrow	<ul style="list-style-type: none"> Approve short- and long-term financing plans. 		
Finance Committee	Stephen E. Ewing*	<ul style="list-style-type: none"> Approve financial policies relating to cash flow, capital structure and dividends. 	4	4
	Suzanne F. Shank (1)			
	John G. Szniewajs	<ul style="list-style-type: none"> Recommend Board action to declare dividends. 		
	Laura H. Wright	<ul style="list-style-type: none"> Review and approve potential project investments and other significant capital expenditures and monitor the progress of significant capital projects. Establish and review our Principles, consider candidates properly recommended by shareholders, identify and recommend director candidates, consider resignations of directors, and review public responsibility matters. 		
		<ul style="list-style-type: none"> Recommend ways for the Board to enhance overall performance and effectiveness. 		
Governance, Sustainability and Public Responsibility Committee	Jon E. Barfield	<ul style="list-style-type: none"> Annually review the operation and performance of the Board and Committees. 	4	4
	William D. Harvey*			
	Myrna M. Soto	<ul style="list-style-type: none"> Review the Codes and recommend actions to the Board in cases where directors have violated the Directors' Code. 		
		<ul style="list-style-type: none"> Review stakeholder outreach, stewardship and corporate social responsibility matters and oversee sustainability matters. 		
	Kurt L. Darrow	<ul style="list-style-type: none"> Review political and charitable contributions. 		
Executive Committee	Stephen E. Ewing	<ul style="list-style-type: none"> Exercise the power and authority of the Board as may be necessary during the intervals between Board meetings, subject to such limitations as are provided by law or by resolution of the Board. 	0	0
	William D. Harvey			
	John G. Russell*			
	Laura H. Wright			

(1) Joined the committee in January 2019

TABLE OF CONTENTS

Compensation Risk

Management annually undertakes a comprehensive review of the compensation policies and practices throughout the organization in order to assess the risks presented by such policies and practices.

Following this year's review, we have determined that such policies and practices are not reasonably likely to have a material adverse effect. Management's analysis and determination were reported to and reviewed by the Compensation Committee.

Codes of Ethics

We have adopted an employee code of ethics, titled "CMS Energy 2019 Code of Conduct and Guide to Ethical Business Behavior" ("Employees' Code") that applies to the CEO, Chief Financial Officer ("CFO") and Chief Accounting Officer ("CAO"), as well as all other officers and employees of CMS and Consumers. CMS and Consumers have also adopted a director code of ethics titled "2019 Board of Directors Code of Conduct" ("Directors' Code") that applies to the members of the Board. The Governance Committee annually reviews the Codes and recommends changes to the Board, as appropriate. The Employees' Code is administered by the Chief Compliance Officer, who reports directly to the Audit Committee. The Audit Committee oversees compliance with the Codes. Any alleged violation of the Directors' Code will be investigated by disinterested members of the Audit Committee, or if none, by disinterested members of the Board. The Governance Committee would recommend appropriate action to the Board in the event a determination is made that a director violated the Directors' Code. The Codes and any waivers of, or amendments or exceptions to, a provision of the Employees' Code that applies to the CEO, CFO, CAO or persons performing similar functions and any waivers of, or exceptions to, a provision of our Directors' Code will be disclosed on our website at www.cmsenergy.com/complianceandethics. No such waivers or exceptions have been granted.

Related Party Transactions

CMS, Consumers or their subsidiaries may occasionally enter into transactions with related parties. "Related Parties" include directors or executive officers, beneficial owners of more than 5% of our common stock, family members of such persons, and entities in which such persons have a direct or indirect material interest. As set forth in our Codes, we consider a related party transaction to have occurred when a Related Party enters into a transaction in which we are participating, the transaction amount is more than \$10,000 and the Related Party has or will have a direct or indirect material interest ("Related Party Transaction"). Any Related Party Transaction must be reported to us.

In accordance with our Codes and the Audit Committee Charter, Related Party Transactions must be pre-approved by the Audit Committee. In drawing its conclusion on any approval request, the Audit Committee considers the following factors:

- Whether the transaction involves the provision of goods or services that are available from unaffiliated third parties;
- Whether the terms of the proposed transaction are at least as favorable 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; and
- Whether the transaction may involve an actual or apparent conflict of interest, or embarrassment or potential embarrassment when disclosed.

22

TABLE OF CONTENTS

The policies and procedures relating to the Audit Committee's approval of Related Party Transactions are found in the Codes, which are available at www.cmsenergy.com/complianceandethics.

Since January 1, 2018, there have been no Related Party Transactions to report.

No Pledging or Hedging

In accordance with our Codes, CMS' and Consumers' officers, employees and directors may not engage in pledging or purchasing on margin our securities, "trading" of our securities or selling "short" our securities or buying or selling puts or calls, hedges or other derivative securities relating to our securities, including compensatory awards of equity securities or our securities otherwise held, directly or indirectly, by those persons. For purposes of these Codes, "trading" means a combination or pattern of substantial or continuous buying and selling of securities with the primary objective of realizing short-term gains. Selling "short" is a technique in which investors bet on a stock price falling by selling securities they do not own with the understanding that they will buy them back, hopefully at a lower price.

Management Succession Planning

The Board engages in an active succession planning process. The Board selects a CEO and then consults with the CEO concerning the selection of a senior management team and plans for their succession. The management succession plan also includes provisions for CEO succession. The Compensation Committee regularly reviews succession planning issues and reports to the Board. The Compensation Committee also advises the Board on succession planning, including policies and principles for executive officer selection. CEO evaluations are conducted annually.

CEO Pay Ratio

It is the philosophy of CMS and Consumers to provide market-based compensation tied to performance. An employee's compensation is based on a combination of the market value of his or her position along with individual experience and performance.

For the fiscal year ended December 31, 2018, the median of the annual total compensation of all CMS employees (other than Poppe, President and CEO), was \$106,125; and the annual total compensation of Poppe was \$8,091,185. Based on this information the ratio of the annual total compensation of the President and CEO to the median of the

annual total compensation of all CMS employees was 76.2 to 1.

SUMMARY COMPENSATION TABLE – CMS ENERGY

	Base Pay	Over Time	Stock Awards	Non-Equity Incentive	Change in Pension Value and Nonqualified Deferred Compensation	All Other Comp	Total	Ratio
Median Employee (1)	\$101,244	-	-	\$830	-	\$4,051	\$106,125	76.2:1
Patricia K. Poppe	\$1,200,000	-	\$4,609,710	\$1,876,800	-	\$404,675	\$8,091,185	

(1) Median employee occupies an exempt mid-level information technology analyst position in Michigan that requires a bachelor's degree.

TABLE OF CONTENTS

For the fiscal year ended December 31, 2018, the median of the annual total compensation of all Consumers employees (other than Poppe, President and CEO), was \$109,100; and the annual total compensation of Poppe was \$8,091,185. Based on this information the ratio of the annual total compensation of the President and CEO to the median of the annual total compensation of all Consumers employees was 74.2 to 1.

SUMMARY COMPENSATION TABLE – CONSUMERS

	Base Pay	Over Time	Stock Awards	Non-Equity Incentive	Change in Pension Value and Nonqualified Deferred Compensation	All Other Comp	Total	Ratio
Median Employee (1)	\$104,062 (2)	-	-	\$923	-	\$4,115	\$109,100	74.2:1
Patricia K. Poppe	\$1,200,000	-	\$4,609,710	\$1,876,800	-	\$404,675	\$8,091,185	

(1) Median employee occupies an exempt senior level environmental analyst position in Michigan that requires a bachelor's degree.

(2) Base salary contains premium pay of \$1,198.

In determining the median employee for each of CMS and Consumers, our calculation includes employees as of December 31, 2018, as follows:

CMS, including Consumers		Consumers	
Full-time employees	7,957	Full-time employees	7,504
Seasonal or temporary employees (1)	698	Seasonal or temporary employees (1)	698
Part-time employees	65	Part-time employees	14
Total employees	8,720	Total employees	8,216
Average Tenure	12.5 years	Average Tenure	12.9 years

(1) Seasonal or temporary employees include interns and Enhanced Infrastructure Replacement Program ("EIRP") employees in the Gas Operations business segment at Consumers that were active employees as of December 31, 2018. The type of work EIRP employees perform is done during the construction season, and these employees are subject to annual lay-offs over the winter months.

All employees are U.S.-based with 96% of our employee population in Michigan. Total compensation for purposes of determining the median employee is illustrated below by pay element. We identified each of CMS' and Consumers' median employees using these compensation measures, which were consistently applied to all employees.

The pay elements that were included in the annual total compensation to identify the median employee are:

- salary for all full time and part-time permanent employees, based on salary level in effect as of December 31, 2018 and hours worked during the year;
- salary received in fiscal year 2018 for seasonal or temporary employees as of December 31, 2018;
- annual incentive payment received for performance year 2018;
- grant date value of stock awards granted in fiscal year 2018;
- relocation, housing and/or auto allowance paid in fiscal year 2018; and
- reimbursement for Corporation-paid executive physical during fiscal year 2018.

Once the annual total compensation was calculated for each employee using the above measures, the annual total compensation of all employees was ranked except for the President and CEO from lowest to highest, and the median employee was identified.

Once the median employee was determined, the median employee's compensation for fiscal year 2018

TABLE OF CONTENTS

was calculated in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K as prescribed for inclusion in the 2018 Summary Compensation Table included in this Proxy Statement. With respect to the annual total compensation of the President and CEO, the amount reported in the “Total” column of our 2018 Summary Compensation Table included in this Proxy Statement was used.

Directors’ Compensation

The following table contains Director compensation information for 2018.

2018 DIRECTORS’ COMPENSATION TABLE

Name (a)	Fees Earned or Paid in Cash (\$ (b)	Stock Awards		Other Compensation (3) (\$ (d)	Total (\$ (e)
		(1) (c)	(2)		
Current Directors:					
Jon E. Barfield	110,000	130,000	-	-	240,000
Deborah H. Butler	105,000	130,000	-	-	235,000
Kurt L. Darrow	120,000	130,000	-	-	250,000
Stephen E. Ewing	120,000	130,000	-	-	250,000
William D. Harvey	145,000	130,000	-	-	275,000
John G. Russell	255,000	130,000	1,000	-	386,000
Myrna M. Soto	110,000	130,000	-	-	240,000
John G. Sznawajs	110,000	130,000	-	-	240,000
Laura H. Wright	125,000	130,000	-	-	255,000
Former Director:					
Philip R. Lochner, Jr.	45,833	-	-	-	45,833

Amounts represent the aggregate grant date fair value of the annual equity awards to the non-employee directors.

(1) See Note 13, Stock-Based Compensation, to the Consolidated Financial Statements included in CMS’ and Consumers’ Annual Report on Form 10-K for the year ended December 31, 2018, for a discussion of the relevant assumptions used in calculating the aggregate grant date fair value pursuant to ASC 718.

(2) The aggregate number of shares of unvested restricted stock outstanding as of December 31, 2018, for each non-employee director: Barfield, Ewing, Harvey, and Wright were 2,799; and Russell was 22,161. Directors Butler, Darrow, Soto, Sznawajs and former Director Lochner have no shares of unvested restricted stock outstanding as of December 31, 2018. The aggregate number of shares of outstanding restricted stock units as of December 31, 2018, for each non-employee director: Butler was 12,365, Darrow and Sznawajs were 9,035 and Soto was 5,870.

Amounts in this column represent matching gift contributions made by the Corporation to charitable organizations (3) to which the Director made a contribution. The Corporation's matching gift contribution program is available to all CMS and Consumers employees and Directors and only applies to gifts to Michigan institutions.

Narrative to 2018 Directors' Compensation Table

Non-employee director compensation is benchmarked annually. Directors who are CMS or Consumers employees do not receive retainers or fees for service on the Board or as a member of any Committee. Non-employee directors receive an annual retainer fee and restricted stock award for service on the CMS and Consumers Boards and additional annual retainer fees for certain Committee positions. Directors are reimbursed for expenses incurred in attending Board or Committee meetings and other company business.

In 2018, directors who were not CMS or Consumers employees each received an annual cash retainer fee. The following table describes the annual cash retainer fee received for service in 2018 and the annual cash retainer fee that will be received for service in 2019, as well as other fees for Director services. Annual retainer fees are paid based on the number of months served on the Board in each respective capacity.

TABLE OF CONTENTS

Year	Annual Cash Retainer	Chairman of the Board	Presiding Director	Chair of the Audit Committee	Other members of the Audit Committee	Chairs of the Compensation, Finance and Governance Committees
2018	\$105,000	\$150,000	\$25,000	\$20,000	\$5,000	\$15,000
2019	\$110,000	\$175,000	\$30,000	\$20,000	\$5,000	\$15,000

In May 2018, all then-serving non-employee directors, were awarded a number of shares of restricted stock with a fair market value at the time of award of \$130,000. These shares of restricted stock are 100% tenure-based and vest 100% at the next annual meeting date. In 2019, the annual restricted stock award will have a fair market value at the time of the May 2019 award of approximately \$150,000, an increase of \$20,000 from 2018. These shares of restricted stock will be 100% tenure-based and vest at the next annual meeting date. Under our Performance Incentive Stock Plan, non-employee directors may defer receipt of their annual equity awards until a deferral date selected by the director. If a deferral election is made by the director, the equity awards subject to the deferral election will be granted as restricted stock units rather than restricted stock awards. Directors Butler, Darrow, Soto, and Szniewajs elected to defer equity in 2018.

Stock ownership guidelines have been adopted by the Board that align further the interests of the directors with our shareholders. Directors are required to hold CMS common stock equivalent in value to five times their annual cash retainer by the end of the fifth calendar year of becoming a director. In the event a director has not met the stock ownership guidelines in the prescribed time frame, in lieu of the director receiving his or her monthly cash retainer, the retainer will be used to purchase CMS common stock until such time as the guideline has been met. All directors currently comply with this stock ownership requirement or are currently expected to comply by the end of their fifth calendar year of becoming a director.

Pursuant to the Directors' Deferred Compensation Plan ("DCP"), a director who is not an employee may, at any time prior to a calendar year in which cash retainer fees are to be earned, irrevocably elect to defer payment, through written notice, of all or a portion of any of the cash retainer fees that would otherwise be paid to the director. Deferred amounts will be distributed in a lump sum or in annual installments in cash, as specified in the director's initial election. Fidelity Investments, an independent record keeper, administers the DCP. The participant decides how contributions are invested among a broad array of mutual funds selected by and provided by the record keeper. Funds equal to the amounts deferred are transferred to Fidelity Investments. Our payment obligations to the directors remain an unsecured contractual right to a payment. Directors Barfield, Butler, Darrow, Soto, and Szniewajs participated in the DCP in 2018.

TABLE OF CONTENTS

Beneficial Ownership

The following table shows those persons known to us as of March 5, 2019 to be the beneficial owners of more than 5% of CMS or Consumers' voting securities:

Name and Address of Beneficial Owner	Number of CMS Shares Beneficially Owned (1)	Number of Consumers Shares Beneficially Owned (2)	Percentage of Beneficial Ownership	Number of Shares Beneficially Owned with:			
				Sole Voting Power	Shared Voting Power	Sole Investment Power	Shared Investment Power
BlackRock, Inc. 55 East 52nd Street New York, NY 10055 (Schedule 13G/A filed on February 4, 2019)	26,150,756	N/A	9.2	23,478,011	None	26,150,756	None
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355 (Schedule 13G/A filed on February 11, 2019)	34,854,677	N/A	12.3	379,570	159,644	34,374,291	480,386
JP Morgan Chase & Co. 270 Park Ave. New York, NY 10017 (Schedule 13G/A filed on January 18, 2019)	15,485,569	N/A	5.4	15,003,726	36,134	15,396,116	87,299
Capital World Investors 333 South Hope Street Los Angeles, CA 90071 (Schedule 13G filed on February 14, 2019)	15,012,683	N/A	5.2	15,012,683	None	15,012,683	None
CMS Energy Corporation One Energy Plaza Jackson, MI 49201	N/A	84,108,789	99.6	84,108,789	None	84,108,789	None

Based solely upon information contained in Schedules 13G and 13G/A filed by each beneficial owner with the (1) SEC pursuant to Rule 13d-1(b) of the Exchange Act regarding their respective holdings of CMS common stock as of December 31, 2018.

(2) CMS is the holder of all Consumers' outstanding common stock consisting of 84,108,789 shares. Neither CMS nor any of its subsidiaries hold any shares of Consumers' preferred stock.

Each of these Schedule 13G and 13G/A filings indicates that these shares were acquired in a fiduciary capacity in the ordinary course of business for investment purposes. To the knowledge of our management, no other person or entity currently owns beneficially more than 5% of any class of CMS or Consumers outstanding voting securities. The Schedules 13G and 13G/A filed by the holders identified above do not identify any shares with respect to which there is a right to acquire beneficial ownership. Except as otherwise noted, the persons named in the table above have sole voting and investment power with respect to all shares shown as beneficially owned by them.

TABLE OF CONTENTS

The following table shows the beneficial ownership of CMS common stock as of March 5, 2019 by the directors and named executive officers of both CMS and Consumers and by all directors and executive officers as a group:

Name	Number of Shares Beneficially Owned (1)
Jon E. Barfield	22,105
Deborah H. Butler	14,003
Kurt L. Darrow	18,795