

CMS ENERGY CORP
Form DEF 14A
April 06, 2012
Table of Contents

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
(Amendment No.)

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 Pursuant to Section 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):

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SEC 1913 (02-02)

Table of Contents

CMS ENERGY CORPORATION

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

MAY 18, 2012

To Fellow Shareholders of CMS Energy Corporation:

The Annual Meeting of Shareholders of CMS Energy Corporation (the Corporation) will be held on Friday, May 18, 2012, at 9:00 A.M., Eastern Daylight Saving Time, at our corporate headquarters located at One Energy Plaza, Jackson, Michigan 49201. The purposes of the annual meeting are to:

- (1) Elect to the Corporation's Board of Directors the 10 director nominees identified in this Proxy Statement;
- (2) Approve the Corporation's executive compensation on an advisory basis;
- (3) Ratify the appointment of PricewaterhouseCoopers LLP (PwC) as our independent registered public accounting firm to audit the Corporation's consolidated financial statements for the year ending December 31, 2012; and
- (4) Transact such other business as may properly come before the annual meeting, in accordance with the procedures required to be followed under our Bylaws.

The Board of Directors recommends a vote FOR proposals 1, 2 and 3. The proxy holders will use their discretion to vote on other matters that may arise at the annual meeting.

Our Annual Report to Shareholders for the year 2011, including the Form 10-K with our consolidated financial statements, accompanies this Proxy Statement, unless you have previously requested Internet access rather than a paper copy.

If you were a shareholder of record at the close of business on March 23, 2012, you are entitled to vote. Every vote is important. Please vote using a touch-tone telephone, the Internet, or by signing and returning the enclosed proxy card. You can help minimize our costs by promptly voting via telephone or the Internet. **We strongly encourage you to cast your proxy vote and exercise your right as a shareholder.**

All shareholders are invited to attend our annual meeting. **Shareholders interested in attending the annual meeting must present proof of current CMS Energy stock ownership (such as a recent account statement) and government-issued photo identification prior to being admitted to the meeting.**

By Order of the Board of Directors

Catherine M. Reynolds

Corporate Secretary

CMS Energy Corporation

One Energy Plaza

Jackson, Michigan 49201

April 6, 2012

**Important Notice Regarding the Availability of Proxy Materials for the
Shareholder Meeting to Be Held on May 18, 2012.**

This Proxy Statement and the Annual Report to Shareholders are available at: www.cmsenergy.com.

Table of Contents

PROXY STATEMENT

TABLE OF CONTENTS

<u>GENERAL INFORMATION ABOUT THE 2012 ANNUAL MEETING AND VOTING</u>	Page 1
<u>CORPORATE GOVERNANCE</u>	Page 5
<u>Background</u>	Page 5
<u>Boards of Directors</u>	Page 5
<u>Board Leadership Structure</u>	Page 5
<u>Risk Oversight</u>	Page 5
<u>Compensation Risk</u>	Page 6
<u>Director Independence</u>	Page 6
<u>Majority Voting Standard</u>	Page 7
<u>Codes of Ethics</u>	Page 7
<u>Board Communication Process</u>	Page 8
<u>Related Party Transactions</u>	Page 8
<u>Hedging</u>	Page 9
<u>Board and Committee Information</u>	Page 9
<u>PROPOSAL 1: ELECT THE 10 DIRECTOR NOMINEES TO THE CORPORATION'S BOARD OF DIRECTORS</u>	Page 12
<u>VOTING SECURITY OWNERSHIP</u>	Page 16
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	Page 17
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	Page 17
<u>COMPENSATION AND HUMAN RESOURCES COMMITTEES REPORT</u>	Page 29
<u>COMPENSATION TABLES</u>	Page 30
<u>PROPOSAL 2: ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION</u>	Page 43
<u>REPORT OF THE AUDIT COMMITTEES</u>	Page 45
<u>FEES PAID TO THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	Page 46
<u>PROPOSAL 3: RATIFY THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	Page 46
<u>2013 PROXY STATEMENT INFORMATION</u>	Page 46

Table of Contents

PROXY STATEMENT

GENERAL INFORMATION ABOUT THE 2012 ANNUAL MEETING AND VOTING

The Board of Directors of CMS Energy Corporation (CMS or the Corporation) solicits your proxy for our Annual Meeting of Shareholders. We are releasing this Proxy Statement and the enclosed proxy card to shareholders on or about April 6, 2012.

The terms we and our as used in this Proxy Statement generally refer to CMS and its collective affiliates, including its principal subsidiary, Consumers Energy Company (Consumers). While established, operated and regulated as separate legal entities and publicly traded companies, CMS and Consumers historically have had the same individuals serve as members of both Boards of Directors and Committees of the Boards and adopted coordinated director and executive compensation arrangements and plans as well as auditing relationships. The two companies also historically have significant overlap in executive management. Thus, 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. In addition, the disclosures frequently reference Boards and Committees and similar plural presentations to reflect these parallel structures of CMS and Consumers.

Q: What are the purposes of this annual meeting?

A: At the meeting, our shareholders will be asked to:

- (1) Elect to the Corporation s Board of Directors the following 10 director nominees: Merribel S. Ayres, Jon E. Barfield, Stephen E. Ewing, Richard M. Gabrys, David W. Joos, Philip R. Lochner, Jr., Michael T. Monahan, John G. Russell, Kenneth L. Way, and John B. Yasinsky (see Proposal 1 found later in this Proxy Statement);
- (2) Approve the Corporation s executive compensation on an advisory basis (see Proposal 2 found later in this Proxy Statement);
- (3) Ratify the appointment of PricewaterhouseCoopers LLP as the Corporation s independent registered public accounting firm for the year 2012 (see Proposal 3 found later in this Proxy Statement); and
- (4) Transact such other business as may properly come before the annual meeting, in accordance with the procedures required to be followed under our Bylaws. The Board of Directors knows of no other matters that might be presented to the meeting except matters incident to the conduct of the meeting. However, if any other matters (including matters incident to the conduct of the meeting) do come before the meeting, it is intended that the holders of the proxies will vote thereon in their discretion.

Q: Who is entitled to vote at the annual meeting?

A: Only shareholders of record at the close of business on March 23, 2012, are entitled to vote at the annual meeting. As of March 23, 2012, the Corporation s outstanding securities entitled to vote at the annual meeting consisted of a total of 257,414,094 shares of Common Stock (\$.01 par value). Each outstanding share is entitled to one vote on each matter that comes before the annual meeting. All shares represented by valid proxies will be voted at the annual meeting.

Q: What is the difference between a shareholder of record and a street name holder?

A: If your shares are registered directly in your name you are considered the shareholder of record for those shares. If your shares are held in a stock brokerage account or by a bank or other nominee you are considered the beneficial owner of the shares and your shares are said to be held in street name. Street name holders generally cannot vote their shares directly and must instead instruct the brokerage firm, bank or other nominee how to vote their shares using the method described under How do I vote my shares? below. If you hold your shares in a brokerage account but you fail to return your voting instruction card to your broker, stock exchange rules will determine whether your broker may vote your shares without first receiving instructions from you on an item being presented to shareholders for approval at the annual meeting.

Table of Contents

Q: Who may attend the annual meeting and are there any requirements I must meet in order to attend the meeting in person?

A: Any shareholder of record as of March 23, 2012, may attend. **You will be asked to register upon arrival at the meeting and will be required to present proof of current stock ownership (such as a recent account statement) and government-issued photo identification (such as a driver's license) prior to being admitted to the meeting.**

Q: How do I vote my shares?

A: If you hold your shares in your own name as a shareholder of record, you may vote by telephone, through the Internet, by mail or by casting a ballot in person at the annual meeting.

To vote by telephone or through the Internet, follow the instructions attached to your proxy card.

To vote by mail, complete your proxy card, sign and date it, and return it in the enclosed, postage-paid envelope.

You can help minimize our costs by promptly voting via telephone or the Internet.

If your shares are voted by proxy, the shares will be voted as you instruct. If you sign and return your proxy card, but do not give any specific voting instructions on your proxy card, your shares will be voted as the Board recommends. Your shares will also be voted as recommended by the Board, in its discretion, on any other business that is properly presented for a vote at the meeting.

If your shares are held in street name, you must vote your shares in the manner prescribed by your brokerage firm, bank or other nominee. Your brokerage firm, bank or other nominee should provide a voting instruction form for you to use in directing it how to vote your shares.

Q: Can I change my vote after I have voted or can I revoke my proxy?

A: Yes. If you are a shareholder of record, you can revoke your signed proxy card at any time before it is voted at the annual meeting, either by signing and returning a proxy card with a later date or by attending the annual meeting in person and changing your vote at the meeting. If you have voted your shares by telephone or the Internet, you can revoke your prior telephone or Internet vote by recording a different vote, or by signing and returning a proxy card dated as of a date later than your last telephone or Internet vote, but prior to the close of the ballots at the annual meeting.

If you are the beneficial owner of your shares, you may submit new voting instructions to your broker, bank or other nominee.

Q: Is my vote confidential?

A: Yes, CMS shareholder voting is confidential (except as may become necessary to meet applicable legal requirements or in the event a proxy solicitation in opposition to the election of the Corporation's Board nominees is initiated). This is true for all beneficial holders. Confidentiality of the proxy voting process means:

Anyone who has access to voting information will not discuss how any individual shareholder votes;

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Proxy cards and proxy forms are to be kept in a secure area so that no one has access to them except for the persons assigned to handle and tabulate the proxies;

Whether a shareholder has or has not voted and how a shareholder votes is confidential;

Any comments provided by shareholders are confidential. Specific comments and summaries of comments are provided to management, the Boards, and/or appropriate Committees of the Boards, but there is no disclosure of who made the comments; and

Proxy voting tabulations will be provided to management and to others as appropriate, but the results provided will be only totals and meaningful subtotals.

Table of Contents

Q: What constitutes a quorum at the annual meeting?

A: The presence of the holders of a majority of the outstanding shares of Common Stock in person or by proxy at the annual meeting will constitute a quorum, which is needed to transact any business.

Q: How are votes counted for each item?

A: The determination of approval of corporate action by the shareholders is based on votes for and against. In general, abstentions are not counted as for or against votes but are counted in the determination of a quorum.

With respect to Proposal 1 below, the election of each director requires approval from a majority of the votes cast by the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors (see *Corporate Governance, Majority Voting Standard* later in this Proxy Statement for additional information about the application of this standard). On Proposals 2 and 3, approval requires votes for by a majority of the votes cast by the holders of shares entitled to vote thereon.

Under the New York Stock Exchange, Inc. (NYSE) listing standards, if your broker, bank or other nominee holds your shares in its name and does not receive voting instructions from you, your broker, bank or other nominee has discretion to vote these shares on routine matters, such as the ratification of the independent registered public accounting firm. On routine matters, broker discretionary votes are counted toward determining the outcome of such matters. They will not be able to vote on the remainder of the proposals, as they do not have discretionary voting power for those particular items. These broker discretionary votes are counted toward establishing a quorum.

Q: What is householding and how does it affect me?

A: The Securities and Exchange Commission (SEC) permits us to deliver a single copy of the notice, annual report and proxy statement to shareholders who have the same address and last name, unless we have received contrary instructions from such shareholders. Each shareholder will continue to receive a separate proxy card. This procedure, called householding, will reduce the volume of duplicate information you receive and reduce our printing and postage costs. We will promptly deliver a separate copy of the annual report and proxy statement to any such shareholder upon written or oral request. A shareholder wishing to receive a separate annual report or proxy statement can notify CMS by contacting our Investor Services Department, CMS Energy Corporation, One Energy Plaza, Jackson, Michigan 49201, telephone 517-788-1868. Similarly, shareholders currently receiving multiple copies of these documents can request the elimination of duplicate documents by contacting our Investor Services Department, as described above.

Q: Can I access CMS proxy materials via the Internet rather than receiving them in printed form?

A: Yes. We offer shareholders of record the opportunity to access the proxy materials over the Internet rather than in printed form. **You may access these materials at the following Internet address: www.cmsenergy.com.** This gives shareholders faster delivery of these documents and saves CMS and its shareholders the cost of printing and mailing these materials.

Q: Who pays the cost of soliciting proxies?

A: The cost of solicitation of proxies will be borne by CMS. Proxies may be solicited by officers and other employees of CMS or its subsidiaries or affiliates, personally or by telephone, facsimile, Internet, or mail. We have arranged for Morrow & Co., LLC, 470 West Avenue, Stamford, CT 06902, to solicit proxies in such manner, and it is anticipated that the cost of such solicitations will amount to approximately \$10,000, plus incidental expenses. We may also reimburse brokers, dealers, banks, voting trustees or other record holders for postage and other reasonable expenses of forwarding the proxy material to the beneficial owners of CMS Common Stock held of

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record by such brokers, dealers, banks, voting trustees or other record holders.

Table of Contents

Q: How does a shareholder recommend a person for election to the Boards of Directors for the next annual meeting?

A: Shareholders can submit recommendations of nominees for election to the Boards of Directors. Shareholders' recommendations will be provided to the Governance and Public Responsibility Committees for consideration. The information that must be included and the procedures that must be followed by a shareholder wishing to recommend a director candidate for the Boards' consideration are the same as the information that would be required to be included and the procedure that would be required to be followed under our Bylaws if the shareholder wished to nominate that candidate directly. You may access the Bylaws at www.cmsenergy.com/corporategovernance. Accordingly, any recommendation submitted by a shareholder regarding a director candidate must be submitted within the time frame provided in the 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 and (b) such other information about the proposed nominee that would be required by our Bylaws to be included in a notice to CMS were the shareholder intending to nominate such proposed nominee directly. Shareholders should send their written recommendations of nominees c/o the Corporate Secretary, CMS Energy Corporation or Consumers Energy Company, One Energy Plaza, Jackson, Michigan 49201.

Table of Contents

CORPORATE GOVERNANCE

Background

The CMS and Consumers Boards of Directors have adopted Corporate Governance Principles (the Principles) that contain long-standing corporate and Board practices as well as SEC and NYSE standards. The Principles describe the role of the Boards and their Committees, the selection and role of the Chief Executive Officer (CEO), the composition and meeting procedures of the Boards and their Committees, as well as Board and Committee compensation and self-evaluation matters. The Boards have adopted Charters for each of their standing Committees, except the Executive Committees, that detail their purposes and duties, composition, meetings, resources and authority as well as other aspects of Committee activities. The Governance and Public Responsibility Committees are responsible for overseeing and reviewing the Principles at least annually, and recommending any proposed changes to the Boards for approval. Each Committee also reviews its Charter annually and recommends changes to the Governance and Public Responsibility Committees for review and recommendation to the Boards for approval.

The current versions of our Principles, the Charters of our standing Committees (other than the Executive Committees), and other corporate governance information, including our Employee and Director Codes of Conduct are available through our website at www.cmsenergy.com/corporategovernance.

Boards of Directors

The Boards provide oversight with respect to our overall performance, strategic direction and key corporate policies. They approve major initiatives, advise on key financial and business objectives, and monitor progress with respect to these matters. Members of the Boards 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 by our CEO, Chief Financial Officer (CFO) and other officers. The Boards have five standing Committees, the principal responsibilities of which are described under *Board and Committee Information* below.

Board Leadership Structure

The Principles provide that the Boards have determined, for the present time, it is in the best interest of the Corporation to keep the offices of CEO and Chairman of the Board (Chairman) separate to enhance oversight responsibilities. The Boards believe 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. In addition, when the Chairman is not considered independent under NYSE rules and our Principles, a Presiding Director is chosen by the independent directors, from among the independent directors, to coordinate the activities and preside at the executive sessions attended only by the independent members of the Boards. Mr. Joos, the current Chairman, is not a member of management, but as former CEO he is not considered independent; therefore, Mr. Lochner serves as the Presiding Director.

Risk Oversight

The Boards' risk oversight process includes receiving regular reports from members of senior management on areas of material risk to the Corporation including operational, legal, regulatory, financial, strategic, compliance and reputational risks. The Executive Committees (consisting of the Chairman and each of the Chairs of the standing Committees of the Boards) previously met and reviewed the various risks faced by the Corporation to ensure that appropriate risk oversight processes were in place. The Corporation's Executive Director of Risk explained the Corporation's risk management practices, process and risk profile. In addition, the Executive Committees reviewed the risk oversight function of each Committee of the Boards and the adequacy of the level of risk management information presented to the full Boards. They determined the Boards would also receive an annual risk management review from the Corporation's Executive Director of Risk which would be in addition to the risk functions performed by the various Committees of the Boards. The risk oversight functions performed by the Committees include (1) a review by the Audit Committees of the risks associated with the Corporation's operating and financial activities which have an impact on its financial and other disclosure reporting as well as a review of the Corporation's policies on risk assessment, control and accounting risk exposure; (2) the Audit Committees' review and approval of risk management policies; (3) a review by the

Table of Contents

Compensation and Human Resources Committees of the risks associated with the Corporation's executive compensation policies and practices; and (4) the Compensation and Human Resources Committees' review of management's assessment of the likelihood that the Corporation's incentive compensation plans will have a material adverse impact on the Corporation.

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 on the Corporation. Management's analysis and determination were presented to and reviewed by the Compensation and Human Resources Committees.

Director Independence

In accordance with NYSE standards and the Principles adopted by the Boards, a majority of the directors of each Board must be independent. A director is independent if the Boards affirmatively determine that he or she has no material relationships with CMS or Consumers and otherwise satisfies the independence requirements of the NYSE and our more stringent director independence guidelines included in our Principles posted at www.cmsenergy.com/corporategovernance. A director is independent under the NYSE listing standards if the Boards affirmatively determine that the director has no material relationships with CMS or Consumers directly or as a partner, shareholder or officer of an organization that has a relationship with CMS or Consumers. The Boards have established categorical standards to assist them in determining director independence. According to these standards, a director is independent if:

The director has no material relationship with CMS or Consumers (either directly or as a partner, shareholder or officer of an organization that has a relationship with CMS or Consumers);

During the last three years, the director has not been an employee of CMS or Consumers, and an immediate family member of the director is not, and has not been within the last three years, an officer of CMS or Consumers;

During the last three years, the director or his or her immediate family member has not received more than \$25,000 in direct compensation during any twelve-month period from CMS or Consumers other than payments for Board and Committee service or pensions or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

The director or his or her immediate family member is not a current partner of a firm that is the internal or external auditor of CMS or Consumers; the director is not a current employee of such a firm; the director does not have an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; and the director or an immediate family member was not within the last three years a partner or employee of such a firm and personally worked on the audit of CMS or Consumers within that time;

The director or his or her immediate family member is not, and has not been within the last three years, employed as an officer by another company where any of the present officers of CMS or Consumers at the same time serves or served on that company's compensation committee; and

The director is not a current employee, or his or her immediate family member is not a current executive officer, of an entity that has made payments to or received payments from CMS or Consumers in an amount which exceeds the greater of \$1 million, or 2% of such other entity's, CMS or Consumers consolidated gross revenues in any of the last three fiscal years.

The Boards undertook their annual review of director and committee member independence, including a review of each director's charitable affiliations vis-à-vis CMS and Consumers charitable contributions, including matching contributions, at their March 2012 meetings. During this review, the Boards considered any transactions, relationships or arrangements as required by the director independence guidelines included in our Principles. The Boards also reviewed transactions occurring between CMS or Consumers and any entity (or any subsidiary of such entity) on

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which one of our directors also serves as a director. The Boards identified the following relationships which they deemed were immaterial to such directors' independence:

Charitable contributions were made to organizations on which Messrs. Barfield, Gabrys and Monahan serve as directors.

Table of Contents

During the ordinary course of business, CMS and Consumers purchased services, commodities, materials or equipment from entities on which Messrs. Barfield, Gabrys and Lochner serve as directors and all such transactions were significantly below one percent of the consolidated gross revenues of the counterparty to the transaction.

With respect to Mr. Gabrys, the Board also considered CMS participation in a venture capital fund which supports the growth of venture capital in Michigan and on which Mr. Gabrys serves as a director.

The Boards concluded that, except for Mr. Joos, the non-employee directors each satisfied the independence guidelines set forth in our Principles and had no material relationships with either CMS or Consumers directly or as a partner, shareholder or officer of an organization that has a relationship with CMS or Consumers. The Boards affirmed the independent status (in accordance with the listing standards of the NYSE and the Principles) of each of the following 8 directors: Merribel S. Ayres, Jon E. Barfield, Stephen E. Ewing, Richard M. Gabrys, Philip R. Lochner, Jr., Michael T. Monahan, Kenneth L. Way and John B. Yasinsky. Mr. Russell is not independent due to his employment relationship with the Corporation. Mr. Joos is not independent because he has been an employee of the Corporation within the last three years.

Directors Barfield, Gabrys, Lochner and Monahan serve on the Audit Committees of our Boards. Each member of the Audit Committee is independent as defined in NYSE rules and the applicable rules and regulations of the SEC.

Directors Ayres, Ewing, Way and Yasinsky serve on the Compensation and Human Resources Committees of our Boards. Each of these directors satisfies the independence tests set forth in the regulations under Section 162 of the Internal Revenue Code (IRC) and Section 16 of the Securities Exchange Act of 1934, as amended (the Exchange Act).

Majority Voting Standard

Under the Boards majority voting standard, as contained in the CMS Articles of Incorporation and the Principles, any director nominee who receives less than a majority of the votes cast by the Corporation s 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, without regard to the effect of abstentions. Upon receipt of such a tendered resignation, the Governance and Public Responsibility Committees shall consider and recommend to the Boards whether to accept or decline the resignation. The Boards will act on the Governance and Public Responsibility Committees recommendation within 90 days following certification of the shareholder vote, and contemporaneously with that action will cause the Corporation to publicly disclose the Boards 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 Governance and Public Responsibility Committees recommendation or the Boards 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.

Codes of Ethics

CMS has adopted a code of ethics, titled Employee Code of Conduct and Guide to Ethical Business Behavior that applies to its CEO, CFO and Chief Accounting Officer (CAO), as well as all other officers and employees of the Corporation and its affiliates, including Consumers. CMS and Consumers have also adopted a code of ethics titled Directors Code of Conduct that applies to the members of the Boards. These codes of ethics can be found on our website at www.cmsenergy.com. The Governance and Public Responsibility Committees annually review the codes of ethics and recommend changes to the Boards as appropriate. The Employee Code of Conduct and Guide to Ethical Business Behavior is administered by the Chief Compliance Officer (CCO), who reports directly to the Audit Committees. The Audit Committees oversee compliance with the codes of ethics for employees and directors. Any alleged violation of the Directors Code of Conduct by a director will be investigated by disinterested members of the Audit Committees, or if none, by disinterested members of the Boards. The Governance and Public Responsibility Committees recommend actions to the Boards in the event a determination is made that a director violated the Directors Code of Conduct. Any waivers of, or exceptions to, a provision of the Employee Code of Conduct and Guide to Ethical Business Behavior that applies to our CEO, CFO, CAO or persons performing similar functions or waivers of, or exceptions to, a provision

Table of Contents

of our Directors Code of Conduct will be disclosed on our website at www.cmsenergy.com under Compliance and Ethics. No waivers were granted in 2011. The Employee Code of Conduct and Guide to Ethical Business Behavior and the Directors Code of Conduct were amended in 2011 and 2012, respectively, and the amended codes were posted on our website.

Board Communication Process

CMS and Consumers shareholders, employees or third parties can communicate with the Boards of Directors, Committees of the Boards, the independent directors as a group, or an individual director, including our Chairman or our Presiding Director, by sending written communications c/o the Corporate Secretary, CMS Energy Corporation or Consumers Energy Company, One Energy Plaza, Jackson, Michigan 49201. The Corporate Secretary will forward such communications to the Boards or the appropriate Committees or group of directors or individual director. Further information regarding shareholder, employee or other third-party communications with the Boards or their Committees or the independent directors or individual members of the Boards can be accessed at the Corporation's website.

In addition, the Corporation has an on-going outreach program to develop and maintain two-way communication with its largest institutional shareholders in regards to key governance and compensation issues. The Corporation values these discussions, and the Board considers the pertinent feedback when evaluating corporate governance and compensation issues.

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

send correspondence or materials addressed to the appropriate party c/o the Chief Compliance Officer, CMS Energy Corporation or Consumers Energy Company, One Energy Plaza, Jackson, Michigan 49201;

send an e-mail or other electronic communication via the external website www.ethicspoint.com, addressed to the appropriate party; or

call the CMS and Consumers Compliance Hotlines at either 1-800-CMS-5212 (an internally monitored line) or 1-866-ETHICSP (monitored by an external vendor).

All such communications will be reviewed by the CCO (who reports directly to the Audit Committees of the Boards) prior to being forwarded to the Boards or applicable Committees or directors.

Related Party Transactions

CMS, Consumers or one of their subsidiaries may occasionally enter into transactions with certain related parties. Related Parties include directors or executive officers, beneficial owners of 5% or more of CMS Common Stock, family members of such persons, and entities in which such persons have a direct or indirect material interest. We consider a related party transaction to have occurred when a Related Party enters into a transaction in which the Corporation is 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).

In accordance with our Directors Code of Conduct and our Employee Code of Conduct and Guide to Ethical Business Behavior, Related Party Transactions must be pre-approved by the Audit Committees. In drawing its conclusion on any approval request, the Audit Committees should consider the following factors:

Whether the transaction involves the provision of goods or services to the Corporation that are available from unaffiliated third parties;

Whether the terms of the proposed transaction are at least as favorable to the Corporation 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

Table of Contents

Whether the transaction may involve an actual or apparent conflict of interest, or embarrassment or potential embarrassment to the Corporation when disclosed.

The policies and procedures relating to the Audit Committees' approval of Related Party Transactions are found in the Corporation's Directors Code of Conduct and Employee Code of Conduct and Guide to Ethical Business Behavior which are available on our website at www.cmsenergy.com.

There were no Related Party Transactions in 2011.

Hedging

In accordance with our Employee Code of Conduct and Guide to Ethical Business Behavior and the Directors' Code of Conduct, CMS and Consumers employees and directors may not engage in trading of CMS securities or sell short CMS securities or buy or sell puts or calls, hedges or other derivative securities relating to CMS securities, including compensatory awards of equity securities or CMS 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.

Board and Committee Information

CMS Board of Directors met 9 times and Consumers Board of Directors met 9 times during 2011. Our Principles state the expectation that all Board members will attend all scheduled board and committee meetings, as well as the Annual Meeting of Shareholders. All, but one, of the incumbent directors attended 100% of the CMS and Consumers Boards and assigned committee meetings during 2011; one director attended 95% of the CMS and Consumers Boards and assigned committee meetings during 2011. All Board members attended the 2011 Annual Meeting of Shareholders.

The Boards each have five standing Committees including an Audit Committee, Compensation and Human Resources Committee, Finance Committee, Governance and Public Responsibility Committee and Executive Committee. The members and the responsibilities of the standing Committees of the Boards of Directors are listed below. Each Committee is composed entirely of independent directors, as that term is defined by the NYSE listing standards and the Principles described above, other than the Executive Committees of which Mr. Joos serves as Chair. During 2011, no employee directors served on standing Board Committees, though they regularly attend non-executive meetings of all Committees. According to the Principles, each year the Boards and each of their standing Committees conduct a performance evaluation of their respective previous year's performance. The Boards also conduct individual director peer evaluations periodically and these director peer evaluations were conducted in 2011. The Principles are incorporated by reference into each Committee Charter.

On a regularly-scheduled basis, the non-management 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. Mr. Joos is often invited to attend such sessions, especially since he became non-executive Chairman effective May 21, 2010. At least once each year, the independent directors meet in executive session without Mr. Joos present in conformance with the NYSE listing standards. In 2011, the independent directors met 6 times. Mr. Philip R. Lochner, Jr. was chosen by a ballot of the independent directors and named the Presiding Director of these executive sessions of the independent directors effective May 21, 2010, for a term of two years.

Table of Contents**Standing Committee Membership Summary**

Name	Audit (1)	Compensation and Human Resources (1)	Finance (1)	Governance and Public Responsibility (1)	Executive
Merribel S. Ayres		X		X	
Jon E. Barfield	X			X	
Stephen E. Ewing		X	X		
Richard M. Gabrys	X		X		
David W. Joos					X*
Phillip R. Lochner, Jr.	X			X*	X
Michael T. Monahan	X*		X		X
John G. Russell					
Kenneth L. Way		X	X*		X
John B. Yasinsky		X*		X	X

* Committee Chair

(1) The Charter which sets forth the Committee's various duties is available on our website at www.cmsenergy.com/corporategovernance.
AUDIT COMMITTEES

Meetings during 2011: CMS 7; Consumers 7

Messrs. Monahan and Gabrys qualify as audit committee financial experts as such term is defined by the SEC. Messrs. Barfield and Lochner have been determined to be financially literate.

The primary functions of the Audit Committees are (subject to the conditions noted in the *Report of the Audit Committees* later in this Proxy Statement) to oversee the integrity of CMS and Consumers' consolidated financial statements and financial information, the financial reporting process and the system of internal accounting and financial controls and to retain CMS and Consumers' independent auditors. The Audit Committees 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. The Audit Committees also oversee compliance with applicable legal and regulatory requirements and with the Corporation's codes of ethics, and oversee our risk management policies, controls and exposures. In addition, the Audit Committees review the performance of the internal audit function and prepare the Report of the Audit Committees for inclusion in the annual proxy statement.

Mr. Barfield serves on the audit committee of one public company and Messrs. Gabrys and Lochner each serve on the audit committees of two public companies, in addition to service on our Audit Committees. In accordance with NYSE requirements, our Boards of Directors have determined that Messrs. Gabrys, Lochner's and Barfield's simultaneous service on those other audit committees will not impair their ability to serve effectively on our Audit Committees.

COMPENSATION AND HUMAN RESOURCES COMMITTEES

Meetings during 2011: CMS 5; Consumers 5

The primary functions of the Compensation and Human Resources Committees (the Compensation Committees) are to review and approve the Corporation's executive compensation structure and policies and set the CEO compensation level. The Compensation Committees review and recommend to the Boards incentive compensation plans, review and approve the grant of stock and other stock-based awards pursuant to the Corporation's incentive plans and review and approve corporate financial and business goals and target awards, and the payment of performance incentives, pursuant to the Corporation's annual incentive plans. The Compensation Committees also produce an annual report of the Compensation Committee to be included in

Table of Contents

the Corporation's proxy statement as required by SEC rules and regulations. In addition, the Compensation Committees are responsible for reviewing and approving the CEO's selection of candidates for officer positions and recommending such candidates to the Boards for annual or ad hoc election as officers, reviewing and advising the Boards concerning the Corporation's management succession plan and reviewing the Corporation's organizational and leadership development plans and programs.

As part of the regular review process, the Compensation Committees directly retained Pay Governance LLC (Pay Governance) as their independent executive compensation consultant, to determine if our compensation arrangements with our executive officers are appropriate. See the *Objectives of Our Compensation Program* section of the *Compensation Discussion and Analysis* for additional information about the services provided to the Compensation Committees by Pay Governance.

FINANCE COMMITTEES

Meetings during 2011: CMS 3; Consumers 3

The primary functions of the Finance Committees are to review and make recommendations to the Boards concerning the financing and investment plans and policies of the Corporation. Their responsibilities include approving short- and long-term financing plans, approving financial policies relating to cash flow, capital structure and dividends, recommending Board action to declare dividends, reviewing potential project investments and other significant capital expenditures and monitoring the progress of significant capital projects.

GOVERNANCE AND PUBLIC RESPONSIBILITY COMMITTEES

Meetings during 2011: CMS 6; Consumers 6

The primary functions of the Governance and Public Responsibility Committees (the Governance Committees) are to establish and review the Principles, identify and recommend director candidates, consider resignations of directors, review the operation and performance of the Boards and Committees and review environmental and public responsibility matters. The Governance Committees also review the codes of ethics and recommend actions to the Board in cases where directors have violated the Directors Code of Conduct. The Governance Committees consider director candidates recommended by shareholders if they are: submitted in writing to the Secretary of the Corporation within the required time frame preceding the annual meeting; include the candidate's written consent to serve; and include relevant information about the candidate as provided in the Bylaws and as determined by the Governance Committees.

Director candidates are sought whose particular background, experiences or qualities meet the needs of the Boards as may be determined by the Boards from time to time and who will add value, perspective and expertise to the Boards' deliberations. The Governance Committees insure that reference and background checks are conducted on all director candidates prior to joining the Boards. The Governance Committees have not established any specific, minimum qualifications that must be met by director candidates or identified any specific qualities or skills that they believe our directors must possess. Although the Governance Committees have not established a formal policy on diversity, the Boards and the Governance Committees believe it is important that our directors represent diverse viewpoints and backgrounds. The Governance Committees take a wide range of factors into account in evaluating the suitability of director candidates, including business experience; leadership skills; and regulated utility, governance, accounting, finance, legal, compensation and human resources experience which will bring a diversity of thought, perspective, approach and options to the Boards. The Governance Committees do not have any single method for identifying director candidates but will consider candidates suggested by a wide range of sources. In 2011, the Governance Committees did retain a search firm (Korn/Ferry International) to assist in the identification and assessment of potential director candidates.

Shareholders can submit recommendations of nominees for election to the Boards of Directors by following the directions previously outlined in this Proxy Statement under the heading: GENERAL INFORMATION ABOUT THE 2012 ANNUAL MEETING AND VOTING.

Table of Contents

EXECUTIVE COMMITTEES

Meetings during 2011: CMS 1; Consumers 1

The primary function of the Executive Committees is to exercise the power and authority of the Boards of Directors as may be necessary during the intervals between meetings of the Boards, subject to such limitations as are provided by law or by resolution of the Boards.

PROPOSAL 1: ELECT THE 10 DIRECTOR NOMINEES TO THE CORPORATION S BOARD OF DIRECTORS