CMS ENERGY CORP
Form DEF 14A
April 05, 2013
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 þ 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))**

þ 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):

þ No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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2) Aggregate number of securities to which transaction applies:

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

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4) Date Filed:

Table of Contents

CMS ENERGY CORPORATION

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

MAY 17, 2013

To Fellow Shareholders of CMS Energy Corporation:

The Annual Meeting of Shareholders of CMS Energy Corporation (the Corporation) will be held on Friday, May 17, 2013, 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 11 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, 2013; 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 any other matters that may arise at the annual meeting.

Our Annual Report to Shareholders for the year 2012, 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 22, 2013, 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 5, 2013

Important Notice Regarding the Availability of Proxy Materials for the

Shareholder Meeting to Be Held on May 17, 2013.

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

Table of Contents

PROXY STATEMENT

TABLE OF CONTENTS

Table of Contents

PROXY STATEMENT

GENERAL INFORMATION ABOUT THE 2013 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 to be held on May 17, 2013. We are releasing this Proxy Statement and the enclosed proxy card to shareholders on or about April 5, 2013.

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 11 director nominees: Jon E. Barfield, Stephen E. Ewing, Richard M. Gabrys, William D. Harvey, David W. Joos, Philip R. Lochner, Jr., Michael T. Monahan, John G. Russell, Kenneth L. Way, Laura H. Wright, 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 2013 (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 22, 2013, are entitled to vote at the annual meeting. As of March 22, 2013, the Corporation s outstanding securities entitled to vote at the annual meeting consisted of a total of 265,212,590 shares of common stock, $.01 par value, of the Corporation (the Common Stock or CMS Common Stock). 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 22, 2013, 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, Internet, mail or by casting a ballot in person at the annual meeting.

To vote by telephone or 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 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;

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. For purposes of the annual meeting, we understand that the proposal relating to the ratification of the appointment of our independent registered public accounting firm will be treated as a routine item, but all other proposals will not be deemed routine items. 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 on 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, Connecticut 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 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 reflect 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 did not meet the NYSE independence rules or the independence requirements of our Principles in 2012 due to his having been an employee of the Corporation within the last three years and was not considered independent. Mr. Lochner was initially elected Presiding Director in May 2010 for a two-year term and was re-elected in May 2012 for a two-year term.

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. As part of that review, 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

Table of Contents

risk assessment, control and accounting risk exposure; (2) the Audit Committees review and approval of risk management policies; (3) a review by the 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 2013 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

Table of Contents

or Consumers and any entity (or any subsidiary of such entity) on 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.

- 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 10 directors: Merribel S. Ayres, Jon E. Barfield, Stephen E. Ewing, Richard M. Gabrys, William D. Harvey, Philip R. Lochner, Jr., Michael T. Monahan, Kenneth L. Way, Laura H. Wright and John B. Yasinsky. Mr. Russell is not independent due to his employment relationship with the Corporation.

Directors Barfield, Gabrys, Lochner, Monahan and Wright 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, Harvey, 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 NYSE rules, 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/complianceandethics*. 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

7

Table of Contents

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 of our Directors Code of Conduct will be disclosed on our website at *www.cmsenergy.com/complianceandethics.* No waivers were granted in 2012. Current versions of the Employee Code of Conduct and Guide to Ethical Business Behavior, including addendums, and the Directors Code of Conduct are 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 on our website at *www.cmsenergy.com/corporategovernance*.

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;

Table of Contents

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 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/complianceandethics*.

There were no Related Party Transactions in 2012.

No Pledging or Hedging

In accordance with our Employee Code of Conduct and Guide to Ethical Business Behavior and the Directors Code of Conduct (Codes), CMS and Consumers employees and directors may not engage in pledging or purchasing on margin CMS securities, trading of CMS securities or selling short CMS securities or buying or selling 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 and Consumers Board of Directors each met 8 times during 2012. 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. During 2012, all of the incumbent directors attended 100% of the CMS Board and assigned committee meetings while they were on the Board. For Consumers during 2012, all but one incumbent director attended 100% of the Consumers Board and assigned committee meetings while they were on the Board; one director attended 94% of the Consumers Board and assigned committee meetings. All then-current Board members attended the 2012 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 2012, 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 2012. 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 in conformance with the NYSE listing standards. In 2012, the independent directors met 5 times. Mr. Philip R. Lochner, Jr. was chosen and named the Presiding Director of these executive sessions of the independent directors.

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		
William D. Harvey		X		X	
David W. Joos					X*
Philip R. Lochner, Jr.	X			X*	X
Michael T. Monahan	X*		X		X
John G. Russell					
Kenneth L. Way		X	X*		X
Laura H. Wright	X+		X+		
John B. Yasinsky		X*		X	X

* Committee Chair

\+ Joined the Committee in February 2013

(1) The Charter which sets forth the Committees various duties is available on our website at *www.cmsenergy.com/corporategovernance*.

AUDIT COMMITTEES

Meetings during 2012: CMS 7; Consumers 7

Messrs. Monahan, Gabrys, and Barfield and Ms. Wright qualify as audit committee financial experts as such term is defined by the SEC. Mr. Lochner has 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 proxy statement.

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 and Lochner 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 2012: 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

10

Table of Contents

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 Committees to be included in 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 to determine if our compensation arrangements with our executive officers are appropriate, the Compensation Committees directly retained Pay Governance LLC (Pay Governance) as their independent executive compensation consultant. 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 2012: 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 2012: CMS 8; Consumers 8

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 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 ensure 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 2012, the Governance Committees retained a search firm (Korn/Ferry International) to assist in the identification and assessment of potential director candidates which identified Mr. Harvey and Ms. Wright. Mr. Harvey was elected to the Boards effective August 1, 2012, and Ms. Wright was elected to the Boards effective February 18, 2013. They are the only two director nominees for the 2013 annual meeting of shareholders who are standing for election by the shareholders for the first time.

Table of Contents

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 2013 ANNUAL MEETING AND VOTING.

EXECUTIVE COMMITTEES

Meetings during 2012: 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. The Executive Committees met in 2012 to discuss streamlining the Boards and Committees functions.

PROPOSAL 1: ELECT THE 11 DIRECTOR NOMINEES TO THE CORPORATION S BOARD OF DIRECTORS

The nominees for directors are proposed to serve on the Boards of Directors of each of CMS and Consumers, to hold office until the next annual meeting or until their successors are elected and qualified. The Boards believe that the nominees will be available to serve, but in the event any nominee is unable to do so, the CMS proxy will be voted for a substitute nominee designated by the Boards or the number of directors constituting the full Boards will be reduced accordingly. All of the nominees are currently serving as directors. Mr. Harvey was appointed to the Boards in August 2012, and Ms. Wright was appointed to the Boards in February 2013, but they were not previously elected by shareholders. The name, age and business experience of each nominee follows, as well as a description of the specific experience, qualifications, attributes or skills of each nominee that led to the conclusion that such nominee should serve as director. In addition to the qualifications listed below, each of the directors serving on the Boards in 2012 attended at least one continuing education program in 2012 sponsored by a recognized utility industry or corporate governance organization. To assist the Board of Directors in remaining current with their board duties, committee responsibilities and the many important developments impacting the Corporation, CMS Energy participates in the NYSE-Corporate Board Member Board Education Program. This Program offers the Corporation s directors access to a wide range of in-person, peer-based and webinar educational programs on corporate governance, committee duties and board leadership and industry developments. Also, the Corporation has an internal director education program in which all directors participate annually. The program includes Corporate and industry information disseminated through orientation programs, topical computer-based training modules and reports, and CMS operational site visits. One current member of the Boards, Merribel Ayres, is resigning at the end of her term and will not be standing for re-election. Thus, effective with the Annual Meeting of Shareholders on May 17, 2013 the size of the Boards is expected to be reduced by one member, from its current membership of 12 to a total of 11 members. All of the other directors have accepted nomination and agree to serve if elected.

Jon E. Barfield, 61, is president and chief executive officer of LJ Holdings Investment Company LLC, a private investment company. In March 2012, he retired from The 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 and managed service provider solutions to Global 1000 firms. Bartech employs and manages the daily work assignments for more than 26,000 associates and more than $2 billion in procurement for major employers around the world, making Bartech Group one of the largest, independent talent management and managed service provider firms in the United States. Mr. Barfield currently serves as the lead director of BMC Software, Inc. During the past five years, he previously served as a director of Motorola Mobility Holdings, Inc., Dow Jones & Company, and National City Corp. He has been a director of CMS Energy and Consumers Energy since August 2005.

A graduate of Princeton University and Harvard Law School, Mr. Barfield brings to the Boards legal knowledge and experience, having practiced corporate and securities law at Sidley Austin LLP. His qualifications to serve as a director stem primarily through 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, and mergers and acquisitions. He served for many years as chairman of the audit committee of the Princeton University Board of Trustees and he is currently a director of Blue Cross Blue Shield of Michigan.

Table of Contents

Stephen E. Ewing, 69, 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.

He brings to the Boards 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, and the former president and chief executive officer of Michigan Consolidated Gas Company. During his energy industry career, he also gained in-depth environmental experience related to exploration, production, drilling, mid-stream operations and hybrid vehicles. He is a director of the Early Childhood Investment Corporation and AAA Michigan, and also is vice chairman of the Auto Club Group. He serves as director of The Auto Club Trust, FSB, which conducts business as AAA Bank, Nebraska. He also serves as the immediate past chairman of The Skillman Foundation.

Richard M. Gabrys, 71, is the former interim dean of the School of Business Administration of Wayne State University and the retired vice chairman of Deloitte LLP, a consulting firm. During his 42 years at Deloitte LLP, he served a variety of public companies, especially automotive manufacturing companies, financial services institutions, public utilities, and health care entities. He is the Chief Executive Officer of Mears Investments, LLC, a private family investment group. Mr. Gabrys serves as the lead director of La-Z-Boy Corporation and as a director of TriMas Corporation. He served on the board of Massey Energy Company until June 2011 and Dana Corporation until January 2008. He has been a director of CMS Energy and Consumers Energy since May 2005.

As an active certified public accountant, member of the American Institute of Certified Public Accountants and the Michigan Association of Certified Public Accountants, the Boards benefit from Mr. Gabrys thorough knowledge and expertise in the accounting and financial services fields. In addition, he serves on the boards of Renaissance Venture Capital Fund, Detroit Regional Chamber, Alliance for a Safer Greater Detroit (Crime Stoppers), Ave Maria University, the Detroit Institute of Arts and the Karmanos Cancer Institute.

William D. Harvey, 64, 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). Mr. 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 Energy and Consumers Energy since August 2012.

Mr. Harvey holds a bachelor s degree in Economics and a Juris Doctorate, both from the University of Wisconsin. He brings to the Boards legal knowledge and experience, having begun his career as an attorney in private practice and serving as General Counsel of WPL. Mr. Harvey s qualifications for service on the Boards 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. Mr. Harvey currently serves as a director of Sentry Insurance Company.

David W. Joos, 60, has served since May 2010 as Chairman of the Board of CMS Energy and Consumers Energy. He served from October 2004 to May 2010 as president and chief executive officer of CMS Energy and chief executive officer of Consumers Energy. Prior to that, he served from 2001 to 2004 as president and chief operating officer of CMS Energy and Consumers Energy; from 2000 to 2001 as executive vice president and chief operating officer electric of CMS Energy; and from 1997 to 2000 as president and chief executive officer electric of Consumers Energy. He is a director of Steelcase, Inc. and AECOM Technology Corporation. He has been a director of CMS Energy and Consumers Energy since 2001.

He brings to the Boards knowledge and experience gained throughout his more than 28 years with Consumers Energy and CMS Energy including his extensive knowledge and practical experience in engineering, operations and maintenance of power plants and utility systems. Managing a regulated utility has also built for him a solid foundation in utility regulation, governmental affairs, corporate governance, human resources and environmental expertise which benefit the Boards. Mr. Joos holds a bachelor s degree in engineering science and a master s degree in nuclear engineering from Iowa State University, and completed the Harvard Business School Program for Management Development in 1989. He has worked extensively in the nuclear power industry. He also currently serves on the board and executive committee of Business Leaders for Michigan.

Table of Contents

Philip R. Lochner, Jr., 70, is a director of public companies, including CLARCOR Inc., Crane Co. and Gentiva Health Services, Inc. During the past five years, he previously served as a director of GTech Holdings, Inc., Apria Healthcare Group Inc., Adelphia Communications Corporation (which he joined after it filed for bankruptcy), Monster Worldwide, Inc., and Solutia Inc. He has been a director of CMS Energy and Consumers Energy since May 2005.

A Yale-educated attorney, he formerly practiced law with the New York firm of Cravath, Swaine & Moore, LLP, served as a Securities and Exchange Commissioner, was general counsel and senior vice president of Time Inc., and chief administrative officer of Time Warner Inc. His qualifications for service as a director include his experience in governmental affairs, law, compensation, human resources, mergers, acquisitions, and corporate governance. Mr. Lochner also has previously served as a director of Brooklyn Bancorp and American Television and Communications, as a member of the Board of Governors of the American Stock Exchange and the National Association of Securities Dealers, and on the advisory board of Republic N.Y. Corp.

Michael T. Monahan, 74, has served since 1999 as president of Monahan Enterprises, LLC, a Bloomfield Hills, Michigan-based consulting firm. He has been a director of CMS Energy and Consumers Energy since December 2002.

Mr. Monahan holds a bachelor s degree in finance from the University of Notre Dame and a master s degree in business from the University of Michigan. His qualifications for service on the Boards include his more than 35 years as a banking executive and a trustee to the Munder Funds which provide a sound understanding of the financial issues confronting the Corporation and industry. From October 1999 to December 2000, he was chairman of Munder Capital Management, an investment management company, and chief executive officer of Munder Capital from October 1999 until January 2000. Prior to that, he was president and a director of Comerica Bank from 1992 to 1999 and president and a director of Comerica Inc. from 1993 to 1999. He currently serves as director of Engineered Machined Products, Inc., as trustee of The Munder Funds Series Trust, the Community Foundation for Southeast Michigan, Sacred Heart Major Seminary, and the Children s Scholarship Fund.

John G. Russell, 55, has served since May 2010 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.

Mr. Russell is qualified to serve on the Boards 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 Boards greatly benefit. Mr. Russell holds a bachelor s degree from Michigan State University in business administration. In 1994, he completed the Harvard Business School Program for Management Development. He currently serves on the boards of directors of the American Gas Association (AGA), Business Leaders for Michigan, the Edison Electric Institute (EEI), Grand Rapids-based The Right Place Inc. and the Michigan Chamber of Commerce.

Kenneth L. Way, 73, is the retired chairman of Lear Corporation, a Southfield, Michigan-based supplier of automotive interior systems to the automotive industry. He is a director of Cooper-Standard Holdings, Inc. During the past five years, he previously served as a director of Comerica Inc. and WESCO International, Inc. He has been a director of CMS Energy and Consumers Energy since 1998.

In his 38-year career with Lear and its predecessor companies, he held key positions in various engineering, manufacturing, and general management roles. Mr. Way served as chief executive officer of Lear from 1988 to 2000, and as Lear chairman from 1988 through 2002. His extensive background and knowledge in financial matters and investor relations coupled with the governmental, legal and governance expertise he gained over his career, qualify him to serve on the Boards.

Laura H. Wright, 53, has served since her retirement in September 2012 from Southwest Airlines Co. (Southwest) as a consultant to Southwest. In September 2012, she retired from Southwest as senior vice president of finance and chief financial officer of Southwest. Ms. Wright served in those positions since July 2004. During her 25-year career with Southwest, she served as vice president of finance and treasurer (2001 to 2004); Treasurer (1998 to 2001); Assistant Treasurer

Table of Contents

(1995 to 1998); and other financial roles (1988 to 1995). Southwest is based in Dallas, Texas, and is engaged in the operation of passenger airlines that provide scheduled air transportation in the United States. Ms. Wright currently serves as a trustee of Pebblebrook Hotel Trust. She has been a director of CMS Energy and Consumers Energy since February 2013.

As an active certified public accountant, the Boards benefit from Ms. 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, Ms. Wright was a manager with Arthur Young & Co. in Dallas. Ms. Wright holds both a bachelor s and a master s degree in Accountancy from the University of North Texas and is a member of Financial Executives Institute and the Texas Society of Certified Public Accountants.

John B. Yasinsky, 73, is the retired chairman and chief executive officer of OMNOVA Solutions Inc., a Fairlawn, Ohio-based developer, manufacturer, and marketer of emulsion polymers, specialty chemicals, and building products. He has been a director of A. Schulman, Inc. since 2000. He has been a director of CMS Energy and Consumers Energy since 1994.

A former White House Fellow, Mr. Yasinsky served from 1999 until his retirement in 2000 as chairman and chief executive officer of OMNOVA Solutions, Inc., and continued as chairman until February 2001. From 1994 to 1999 he was the chairman and chief executive officer of GenCorp; and for three decades prior, worked in various positions for Westinghouse Electric Corporation, including serving as group president. He is a director of TriState Capital Bank and TriState Capital Holdings, Inc. His qualifications to serve on the Boards derive from his prior positions, which provided him with in-depth experience in supplying power systems equipment and services to regulated utilities and in project management for alternative energy technologies such as solar, wind, fuel cells, coal gasification, waste-to-energy, geothermal, nuclear, and waste processing.

YOUR BOARDS RECOMMEND A VOTE FOR THE ELECTION OF EACH DIRECTOR NOMINEE.

Table of Contents

VOTING SECURITY OWNERSHIP

As of March 22, 2013, the beneficial owners of 5% or more of CMS Common Stock entitled to vote at the annual meeting and known to us were:

Name and Address of Beneficial Owner	Amount of Beneficial Shares Owned (a)	Percent Beneficial Ownership	Number of Shares Beneficially Owned in each Reporting Entity with: Sole Voting Power	Shared Voting Power	Sole Investment Power	Shared Investment Power
BlackRock, Inc. 40 East 52nd Street New York, NY 10022 (Schedule 13G/A filed on February 8, 2013)	19,161,071	7.2%	19,161,071	0	19,161,071	0
Massachusetts Financial Services Company 111 Huntington Avenue Boston, MA 02199 (Schedule 13G/A filed on February 13, 2013)	18,617,388	7.0%	16,115,860	0	18,617,388	0
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355 (Schedule 13G/A filed on February 12, 2013)	16,664,627	6.3%	536,789	0	16,237,338	427,289

(a) Based upon information contained in Schedules 13G/A filed by each beneficial owner with the SEC pursuant to Rule 13d-1(b) of the Exchange Act regarding their respective holdings as of December 31, 2012.

Each of these Schedule 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 our outstanding voting securities. The Schedules 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.

The following chart shows the beneficial ownership of CMS Common Stock by the directors and named executive officers of both CMS and Consumers as of March 22, 2013:

Name	Shares Beneficially Owned (1)
Merribel S. Ayres	29,741
Jon E. Barfield	22,381
Stephen E. Ewing	17,982
Richard M. Gabrys	32,870
William D. Harvey	3,020
David W. Joos	454,839
Philip R. Lochner, Jr.	32,870
Michael T. Monahan	42,054
Kenneth L. Way	44,196

Laura H. Wright	825
John B. Yasinsky	32,940
John G. Russell	774,269
Thomas J. Webb	293,392
James E. Brunner	142,547
John M. Butler	104,258
Daniel J. Malone	140,469
David G. Mengebier	119,252
All directors and executive officers (2)	2,442,512

Table of Contents

(1) Restricted stock awards are included in the shares shown above. Messrs. Russell, Webb, Brunner, Butler, Malone and Mengebier as well as all other executive officers of CMS and Consumers as a group, held restricted stock of 517,787; 157,025; 129,044; 91,818; 100,867; 66,250; and 140,265 shares, respectively. In addition to the above common shares, Messrs. Way and Yasinsky each own 10 shares of Consumers $4.50 preferred stock. None of the individuals shown above owns shares of Consumers $4.16 preferred stock. The table includes the shares that each person or group of persons included in the table has the right to acquire within 60 days of March 22, 2013 and no shares are pledged as security. Except for Mr. Barfield, whose spouse owns 500 shares of CMS Common Stock, the persons named in the table above have sole voting and investment power with respect to all shares shown as beneficially owned by them.

(2) All directors and executive officers include executive officers of both CMS and Consumers; the directors of CMS and Consumers are the same individuals, as disclosed earlier in this Proxy Statement. As of March 22, 2013, the directors and executive officers of CMS and Consumers collectively owned approximately 1.0% of the outstanding shares of CMS Common Stock. Each of the individuals shown above owns less than 1.0% of the outstanding shares of CMS Common Stock.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, executive officers and beneficial owners of more than 10% of CMS Common Stock to file with the SEC reports of beneficial ownership and changes in such ownership of any of CMS or Consumers equity securities or related derivative securities. To management s knowledge, based upon a review of reports filed with the SEC and representations received from our executive officers and directors, during the year ended December 31, 2012, CMS and Consumers executive officers and directors made all required Section 16(a) filings on a timely basis.

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

In this section, we describe and discuss our executive compensation program, including its objectives and elements, as well as determinations made by the Compensation Committees of the Boards of Directors regarding the compensation of our CEO, CFO and the three other most highly compensated executive officers of each of CMS and Consumers, who we collectively refer to as our named executive officers (NEOs). Detailed information regarding the compensation earned by our NEOs is included in the 2012 Summary Compensation Table immediately following the Compensation and Human Resources Committees Report.

Objectives

The objectives of our executive compensation program are to:

- Align the interests of our NEOs with our shareholders;
- Secure top executive talent;
- Reward results; and
- Be fair and competitive.

The Corporation s 2012 Performance

Total Shareholder Return (TSR) was 15%;

Earnings Per Share (EPS) of $1.55 was equal to our target of $1.55;

Operating cash flow of $1,286 million exceeded our target of $1,250 million; and

The annual Common Stock dividend was 96 cents per share in 2012, a 14% increase from 2011.

Table of Contents

The Corporation has delivered consistent EPS growth with a three-year average growth rate of 7% and a five-year average growth rate of 14%. As the chart below indicates, the Corporation has also delivered TSR above the median TSR of the Corporation s Performance Peer Group for the one-year, three-year and five-year periods ending December 31, 2012.

(1) The companies included in the Performance Peer Group are detailed in the *Objectives of Our Compensation Program, Our Compensation Program for NEOs Should Enable Us to Compete for and Secure Top Executive Talent section of this Compensation Discussion and Analysis*.

Based on these achievements, our annual incentive compensation plan paid out at 105% of target and our long-term incentive (LTI) program paid out at 167% of target (200% of target for the performance-based portion). The LTI payout was based on awards granted in 2009, with the payout of such awards determined based on the Corporation s relative TSR performance from August 2009 to August 2012.

Further, the Corporation s 2012 annual meeting resulted in an overwhelmingly high level of shareholder support for the shareholder advisory vote to approve executive compensation (97.36% of votes cast).

Program Design

We have established our executive compensation program based on balance and simplicity:

- Base salary is targeted to approximate the median of a peer group made up of companies of similar business profile and size, and to reflect individual performance and internal considerations;

- Annual incentive awards are based on the achievement of EPS and operating cash flow goals; and

- The LTI program consists of performance-based restricted stock and tenure-based restricted stock (75% and 25%, respectively, in 2012). The performance-based portion is eligible to vest after three years dependent upon our TSR relative to the Corporation s Performance Peer Group, while the tenure-based portion vests on the third anniversary of the award date.

We pay an annual incentive only if the Corporation s EPS and operating cash flow performance meet or exceed the threshold levels set in January of each year. EPS and operating cash flow are used to determine the annual incentive payout because the Compensation Committees believe that these two metrics are the building blocks for growing the value of the Corporation and are good indicators of strategy execution. We place more weighting on EPS to reflect the Corporation and shareholders focus on EPS growth. The payout may be increased or reduced by 10% based on the results of the operating metrics under the Consumers Annual Employee Incentive Plan (Consumers Incentive Plan).

Our LTI program is based primarily on relative TSR because it offers a head-to-head comparison of how well our management team performed compared to other management teams in our industry and further motivates management to increase shareholder value. We do award a portion of equity compensation which vests only on the basis of continued employment

Table of Contents

(referred to as tenure or tenure-based). The tenure-based restricted stock helps build executive share ownership and serves as an additional retention mechanism that is not subject to the year-to-year fluctuations of any performance measurement.

Best Practices

We annually review all elements of the Corporation s executive compensation program, and in addition to compliance with required rules, we adopt current best practices where appropriate for our business and shareholders. As a result, we have:

- Very limited perquisites no planes, cars, clubs, security or financial planning. The principal perquisite provided to our executives in 2012 was an annual mandatory physical examination for each NEO. In 2012, the Compensation Committees eliminated the executive long-term disability insurance program. Our perquisites had a cost to the Corporation of less than $10,000 for each NEO in 2012;

- Clawbacks in place for the annual incentive and LTI programs;

- Stock ownership guidelines for NEOs and directors, and no counting of performance-based restricted stock toward our stock ownership guidelines, beginning with the 2011 awards;

- Annual reviews of our compensation and performance peer groups;

- Regular briefings from the independent compensation consultant regarding key trends;

- No traditional employment agreements. Our executive agreements are limited to change-in-control and severance or separation agreements, and those that are new or have been extended by the Compensation Committees do not contain tax gross-ups. Change-in-control agreements require a double-trigger for the accelerated vesting of equity awards in the event of a change-in-control. Base salary and annual incentive severance amounts do not exceed three times the NEO s base salary and annual incentive amount;

- No dividends paid on unvested performance-based restricted stock awards. In lieu of dividends, recipients receive additional shares of restricted stock that will vest based on the same performance measures applicable to the underlying restricted stock; and

- A policy that prohibits hedging and pledging of the Corporation s securities by employees and directors.

The remainder of this *Compensation Discussion and Analysis* offers a detailed explanation of our NEO compensation program.

Objectives of Our Compensation Program

The Compensation Committees have responsibility for approving the compensation program for our NEOs. The Compensation Committees act pursuant to a charter that has been approved by our Boards and is available on our website.

As mentioned in the *Executive Summary* section of this *Compensation Discussion and Analysis*, the NEO compensation program is organized around four principles:

1. *NEO Compensation Should Be Aligned With Increasing Shareholder Value.*

2. *Our Compensation Program for NEOs Should Enable Us to Compete for and Secure Top Executive Talent.*

3. *NEO Compensation Should Reward Measurable Results.*

4. *Our Compensation Program Should Be Fair and Competitive.*

NEO Compensation Should Be Aligned With Increasing Shareholder Value. We believe that a substantial portion of total compensation should be delivered in the form of at risk equity in order to further align the interests of our NEOs with the interests of our shareholders. Equity compensation is provided through the Performance Incentive Stock Plan (Stock Plan). In 2012, 75% of equity compensation provided to NEOs was awarded in the form of performance-based restricted stock, which vests if, and only to the extent that, specific TSR goals approved by the Compensation Committees are met. The remaining 25% of equity compensation provided to NEOs in 2012 was awarded in the form of tenure-based restricted stock that generally vests on the third anniversary of the award date, subject to the NEO s continued employment with the Corporation.

Table of Contents

Our Compensation Program for NEOs Should Enable Us To Compete for and Secure Top Executive Talent. Shareholders are best served when we can attract, retain and motivate talented executives with compensation packages that are competitive and fair. We create a compensation package for NEOs that delivers base salary, annual incentives and long-term incentives targeted at the 50th percentile of the market. For utility specific roles, market is defined by the Compensation Committees approved 17-company Compensation Peer Group. The Compensation Peer Group consists of energy companies comparable in business focus and size to CMS with which we might compete for executive talent. For general industry roles, size adjusted public utility sector and general industry data is representative of the market. The compensation package also provides executives the opportunity to earn approximately at the 75th percentile of the market upon achievement of superior performance through annual incentive and equity awards.

In 2012, the CEO s total direct compensation compared to the median of the Corporation s Compensation Peer Group was as follows:

Company Target Compensation as a Percentage of

Compensation Peer Group Median Target

Principal Position	Base Salary	Total Cash Compensation (Base Salary + Target Annual Incentive)	Target Long-Term Incentive Compensation	Target Total Direct Compensation
Chief Executive Officer	1% below peer group	1% below peer group	9% below peer group	5% below peer group

Annually, the Compensation Committees engage a consultant to provide advice and information regarding compensation practices of the Compensation Peer Group as well as additional information from published surveys of compensation in the public utility sector and general industry. During the Compensation Committees review of the CEO s and other officers compensation levels, the Compensation Committees considered the advice and information received from Pay Governance, the Compensation Committees independent compensation consultant; however, the Compensation Committees were ultimately responsible for determining the form and amount of executive compensation. The Compensation Committees have specifically directed Pay Governance to obtain the approval of the Compensation Committees before undertaking any activity on behalf of the management of CMS or Consumers. During the time that Pay Governance has been engaged as the compensation consultant, Pay Governance has not performed any services on behalf of the management of CMS or Consumers or otherwise had a conflict of interest regarding CMS or Consumers.

Where available by position, Compensation Peer Group data serves as the primary reference point for pay comparisons of utility specific roles, and broader survey data and published proxy data are also provided by the compensation consultant as a point of reference for utility specific roles and comparisons of general industry roles. Where available by position, Pay Governance gathers compensation data from Towers Watson s Energy Services Executive Database (over 60 investor-owned utilities) and Towers Watson s General Industry Executive Database (approximately 400 participating companies), which it regresses based on CMS revenues to provide additional market context to the Compensation Peer Group. In selecting members of the Compensation Peer Group, financial and operational characteristics are considered. The criteria for selection of the Compensation Peer Group included comparable revenue, approximately $2.9 billion to $12.9 billion (ranging from approximately one-half to two times that of CMS), relevant utility industry group, similar business mix (revenue mix between regulated and non-regulated operations) and availability of compensation and financial performance data.

The Compensation Committees determined not to make any changes to the Compensation Peer Group that was used with respect to 2011 compensation decisions. In 2012, the Compensation Peer Group was composed of the following 17 companies.

Alliant Energy Corp.	Integrys Energy Group, Inc.	Progress Energy Inc.
Ameren Corp.	NiSource Inc.	SCANA Corp.
Atmos Energy Corp.	Northeast Utilities	TECO Energy Inc.
CenterPoint Energy, Inc.	NSTAR	Wisconsin Energy Corp.

Consolidated Edison Inc.	OGE Energy Corp.	Xcel Energy Inc.
DTE Energy Co.	Pepco Holdings, Inc.	

Table of Contents

The Compensation Committees use two different peer groups. The Compensation Committees recognize that there is a difference between the companies against which we compete for executive talent (the Compensation Peer Group) and the companies against which we compete for capital (the Performance Peer Group). For these reasons, the Compensation Committees approved the continued use of the above peer group for NEO compensation decisions and a larger peer group as a reference for TSR performance (the Performance Peer Group). The Performance Peer Group is used to measure TSR for LTI program award vesting determination. The Compensation Committees rationale for using two peer groups is to ensure appropriate comparative companies relative to the different attributes being evaluated for compensation and TSR purposes. In addition, the larger group for TSR performance ensures better gradation of performance position.

Beginning with the 2012 annual LTI awards, the Compensation Committees expanded the Performance Peer Group to include all of the utility companies contained in both the S&P Midcap 400 and S&P 500 indices at the time of the annual LTI award (January 26, 2012). The expansion of the Performance Peer Group was made (a) because CMS had grown in scope (revenue dollars) to be larger than a significant number of the prior performance peer group companies, (b) to improve the ease of comparison by using a defined group rather than custom group and (c) to allow for a more robust comparison by including a larger number of companies.

For awards made in 2012, the Performance Peer Group was composed of 51 companies set forth below.

AGL Resources Inc.	FirstEnergy Corp.	Pinnacle West Capital Corp.
Alliant Energy Corp.	Great Plains Energy Inc.	PNM Resources, Inc.
Ameren Corp.	Hawaiian Electric Industries Inc.	PPL Corp.
American Electric Power Co.	IdaCorp, Inc.	Progress Energy Inc.
Aqua America Inc.	Integrys Energy Group, Inc.	Public Service Enterprise Group Inc.
Atmos Energy Corp.	MDU Resources Group Inc.	Questar Corp.
Black Hills Corp.	National Fuel Gas Co.	SCANA Corp.
CenterPoint Energy, Inc.	NextEra Energy, Inc.	Sempra Energy
Cleco Corp.	NiSource Inc.	Southern Company
Consolidated Edison Inc.	Northeast Utilities	TECO Energy Inc.
Constellation Energy Group, Inc.	NRG Energy, Inc.	The AES Corp.
Dominion Resources, Inc.	NSTAR	UGI Corp.
DTE Energy Co.	NV Energy, Inc.	Vectren Corp.
Duke Energy Corp.	OGE Energy Corp.	Westar Energy, Inc.
Edison International	ONEOK Inc.	WGL Holdings Inc.
Entergy Corp.	Pepco Holdings, Inc.	Wisconsin Energy Corp.
Exelon Corp.	PG&E Corp.	Xcel Energy Inc.

NEO Compensation Should Reward Measurable Results. Base salary is reviewed annually and adjusted based on a variety of factors including each NEO s overall performance and tenure. The CEO provides to the Compensation Committees a recommendation of annual base salary adjustments and annual restricted stock awards for all officers, other than the CEO. The Compensation Committees take the CEO s recommendations, along with information provided by the compensation consultant (Compensation Peer Group and other market data from surveys) into consideration when making adjustments. CEO base salary is determined solely by the Compensation Committees based on market and Compensation Peer Group data and overall Corporation and CEO performance. Annual incentives, the other form of cash compensation, provide for award opportunities to each NEO under the annual officer incentive compensation plan (Annual Incentive Plan). The Annual Incentive Plan pays incentives on the basis of performance over a one-year period. Performance objectives under the Annual Incentive Plan are developed each year through an iterative process. Management, including executive officers, develops preliminary recommendations for the Compensation Committees review. The Compensation Committees review management s preliminary recommendations and establish final goals. For 2012, the Annual Incentive Plan targeted awards at 55% to 100% of each NEO s base salary, but actual awards could range from zero to two times the target level depending on performance against specific targets. Incentives under the Annual Incentive Plan are paid if, and to the extent that, corporate goals, approved by the Compensation Committees, are attained. The majority of equity compensation is also designed to reward measurable results and is based on a comparison of the Corporation s TSR performance to the TSR performance of the Performance Peer Group. For 2012, 75% of the equity compensation granted to the NEOs was performance-based.

Table of Contents

The table below illustrates the manner in which (a) the overall mix of total compensation was allocated between performance and non-performance-based elements for each NEO; (b) performance-based compensation was allocated between annual and long-term elements; and (c) total compensation was allocated between cash and equity.

2012 Total Compensation Mix (1)

	Percent of Total Compensation That is:		Percent of Performance/ Stock Based Total Compensation That is:		Percent of Total Compensation That is:	
	Performance/Stock Based (2)	Fixed (3)	Annual (4)	Long-Term (5)	Cash-Based (6)	Equity-Based (7)
John G. Russell	78%	22%	27%	73%	43%	57%
Thomas J. Webb	64%	36%	33%	67%	57%	43%
James E. Brunner	68%	32%	29%	71%	52%	48%
John M. Butler	65%	35%	32%	68%	56%	44%
Daniel J. Malone	67%	33%	29%	71%	52%	48%
David G. Mengebier	60%	40%	37%	63%	63%	37%

(1) For purposes of this table, total compensation includes the sum of base salary, Annual Incentive Plan target amount and the market value determined on the date of grant (assuming restricted shares at target) of the Stock Plan equity awards.

(2) Amounts in this column represent Annual Incentive Plan plus Stock Plan equity award value (performance and tenure) divided by total compensation.

(3) Amounts in this column represent base salary divided by total compensation.

(4) Amounts in this column represent Annual Incentive Plan divided by Annual Incentive Plan plus Stock Plan equity award value.

(5) Amounts in this column represent Stock Plan equity award value divided by Annual Incentive Plan plus Stock Plan equity award value.

(6) Amounts in this column represent base salary plus Annual Incentive Plan divided by total compensation.

(7) Amounts in this column represent Stock Plan equity award value divided by total compensation.

Our Compensation Program Should Be Fair and Competitive. We strive to create a compensation program that will be perceived as fair, both internally and externally. This is accomplished by evaluating each NEO s individual performance and by comparing the compensation that is provided to our NEOs to:

officers of the companies in the Compensation Peer Group (as well as other market data as described above) as a means to measure external fairness; and other senior employees of CMS, as a means to measure internal fairness. For example, total targeted compensation for the CEO is currently 2.6 times greater than the next highest compensated NEO (the CFO). The difference is primarily attributable to the difference in compensation between the Compensation Peer Group median total compensation for the CEO and the Compensation Peer Group median total compensation for the CFO. Our ratio of CEO to CFO compensation is less than the Compensation Peer Group ratio of 3.1, as reported by the compensation consultant.

Use of Tally Sheets. At least annually, the Compensation Committees review tally sheets for each of the NEOs. These tally sheets reflect all components of compensation, including base salary, short-term (annual) and long-term incentive compensation, retirement benefits, deferred compensation benefits, death benefits, and benefits or payments that would be payable in connection with a change-in-control or termination of employment. Tally sheets are provided to the Compensation Committees to show how various compensation and benefit amounts are interrelated and how a change in one component of compensation impacts other components and to enable the Compensation Committees to quantify amounts payable upon various termination scenarios.

Table of Contents

The overall purpose of these tally sheets is to consolidate all of the elements of actual and potential future compensation of our NEOs, as well as information about wealth accumulation, so that an analysis can be made of both the individual elements of compensation (including the compensation mix) as well as the aggregate total amount of actual and projected compensation. Tally sheet information is used in various aspects of the analysis and compensation decision-making process including consideration of the management team s internal pay equity.

The Elements of Our Compensation Program

This section describes the various elements of our compensation program for NEOs, together with a discussion of various matters relating to those items, including why we chose to include the items in the compensation program.

Cash Compensation

Cash compensation is paid in the form of base salary and annual incentive. Our 2012 compensation program for NEOs was designed so that, subject to performance, the percentage of cash compensation paid to our NEOs is comparable to that paid to NEOs of the Compensation Peer Group. That strategy resulted in cash payments (as a percentage of total compensation) representing approximately 43% for the CEO and 52% to 63% for the other NEOs. The components making up the cash portion of total compensation are described in more detail below.

Base Salary. Base salary is included in the NEO s annual compensation package because we believe it is appropriate that some portion of NEO compensation be provided in a form that is fixed and liquid. Each January, the Compensation Committees determine the NEO base salary. Changes in base salary on a year-over-year basis are primarily dependent on comparison to market data and past performance and expected future contributions of each individual. The annual increases in base salaries for NEOs in 2012 were as follows: Mr. Russell 10%; Mr. Webb 0%; Mr. Brunner 0%; Mr. Butler 7.2%; Mr. Malone 10.3%; and Mr. Mengebier 2.3%. Messrs. Russell, Butler and Malone s base salaries increased in 2012 to better align their base salary with the market and to be more internally equitable. Messrs. Webb s and Brunner s base salaries were not increased in 2012 as their pay was competitive based on the objectives detailed in *Our Compensation Program for NEOs Should Enable Us to Compete for and Secure Top Executive Talent* section of this *Compensation Discussion and Analysis.*

Annual Incentive Plan