



2022

Environmental, Social and Governance Materiality Assessment

Executive Summary

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Introduction

Identifying significant Environmental, Social and Governance (ESG) issues is a critical component of determining a company's sustainability strategy for growth in achieving ESG goals reflective of stakeholder priorities.

In 2021, CMS Energy Corporation (the Company), in conjunction with AKT Peerless, conducted an ESG Materiality Assessment to determine which ESG issues we should prioritize when evolving our sustainability strategy. We conducted additional assessment efforts during the first quarter of 2022 to generate a refined list of 2022 ESG material issues that span the three pillars of our ESG reporting: Environmental, Social and Governance.



Our ESG Materiality Assessment process used the Global Reporting Initiative (GRI) standard GRI 101: Foundation as a guideline. GRI is a widely recognized, independent international organization that provides frameworks and guidance on ESG disclosures. The assessment goal was to prioritize relevant topics that 1) reflect CMS Energy's significant environmental, social and economic impacts; or 2) substantively influence stakeholders' decisions. ESG Materiality Assessment results will help us structure our first GRI Index (planned for publication in 2023) and help shape future 2022 ESG and Sustainability reports through a narrowed list of ESG issues.

Stakeholder Prioritization of Relevant Topics

The assessment began by capturing the current landscape of ESG factors through developing a broad list of topics that *might* be considered important for our sustainability strategy. The process generated an initial list of 114 topics and narrowed these topics to 60 relevant topics through multiple review and analysis stages with internal stakeholders, including workshops with cross-departmental ESG team members. We used the revised list to develop a Sustainability Survey (the Survey). The Survey, provided to internal and external stakeholders, asked respondents to rate the importance of the 60 relevant topics.



Stakeholders surveyed included: 1) 44 CMS Energy employees; 2) 496 individuals representing 10 different external stakeholder groups; and 3) 11,372 residential and 1,300 business customers. The overall individual response rate was 17%.

Survey results were then combined into a Relevant Topic Matrix (the “Matrix”), which plotted internal stakeholder weighted average ratings on the X-axis and external stakeholder weighted average ratings on the Y-axis. The Matrix split the topics into three categories: 1) high; 2) medium; and 3) low priority based on the weighted average ratings. We used the Matrix to identify a list of 20 topics considered the highest priorities among internal and external stakeholders.

Impact Assessment

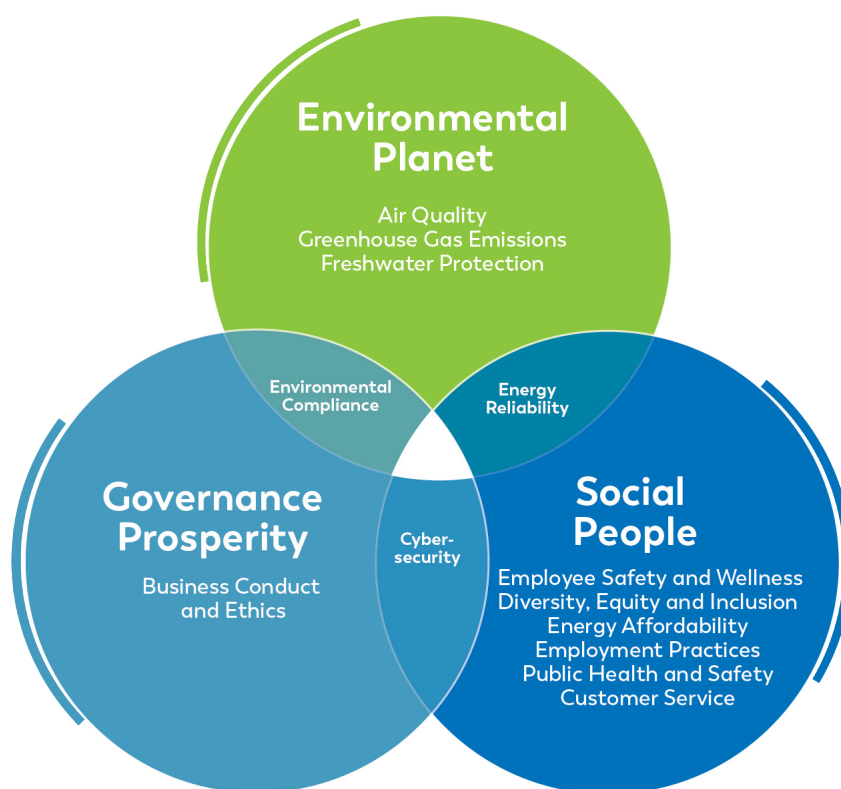
The process then incorporated an impact assessment of the 20 relevant topics to gauge the impact the Company has on the identified topics. The impact assessment used diverse criteria including: 1) Stakeholder Prioritization Survey result placement; 2) Employee Incentive Compensation Plan goal inclusion; 3) Annual Report (10-K) inclusion; 4) perceived Securities Exchange Commission ESG Disclosure interest; 5) Risk

Map inclusion/placement; and 6) significant ESG disclosure framework/assessment inclusion (significance determined by perceived investor interest).

The purpose of the impact assessment was: 1) to create a more refined and manageable list of ESG material issues; 2) to apply the results to more diverse criteria beyond stakeholder prioritization; 3) to better address GRI Standards; and 4) to have a process that can be used annually to refresh our list of ESG material issues.

The final 13 material issues, which were categorized in the impact assessment as Environmental/Planet Goals, Social/People Goals and Governance/Prosperity Goals, can be found in the CMS Energy 2022 ESG Material Issues diagram.

CMS Energy 2022 ESG Material Issues



Annual ESG Material Issue Refresh

We anticipate the impact assessment will evolve to better meet the needs of defining and identifying impact and importance of relevant ESG issues for the Company. The sustainability team intends to use the impact assessment annually to reevaluate the top 20 relevant topics identified by the 2021 stakeholder materiality survey, as well as 10 additional relevant topics that were identified as high priority for either only internal stakeholders or only external stakeholders. The results of the annual impact assessment will form a list of material issues for the current year. This refresh process will continue annually until another ESG Materiality Assessment survey is conducted, which is expected in the next 3-5 years.

ESG Material Issues Refresh Process



Conclusion

Our Company's strategy is built on our commitment to the triple bottom line: People, Planet and Prosperity. To provide the most value, we recognize the importance of listening to our stakeholders and evolving our sustainability strategy accordingly. This latest materiality assessment demonstrated our stakeholders still consider our environmental impacts as priorities and have a growing interest in our social impacts compared to previous surveys. We look forward to continuously improving performance and transparency of issues that most impact our business and stakeholders.

Disclaimer

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