



MATERIALITY ASSESSMENT

EXECUTIVE SUMMARY

Consumers Energy
One Energy Plaza
Jackson, Michigan

PREPARED BY AKT Peerless
22725 Orchard Lake Road
Farmington, MI 48336
Contact Person: Jeremy McCallion
Email: mccallionj@aktpeerless.com
Phone: (248)-615-1333

PROJECT # 9517U-1-10

COMPLETION DATE January 20, 2016

Table of Contents

1.0 EXECUTIVE SUMMARY 2

FIGURES

Figure 1.....Internal Materiality Matrix
Figure 2.....Executive Management’s Rating of Relevant Topics
Figure 3.....External Stakeholders’ Rating of Relevant Topics
Figure 4.....Materiality Matrix for Consumers Energy

MATERIALITY ASSESSMENT EXECUTIVE SUMMARY

Consumers Energy, One Energy Plaza, Jackson, Michigan

1.0 Executive Summary

Consumers Energy (“Consumers”) retained AKT Peerless to conduct a Materiality Assessment (the “Assessment”) for Consumers Energy, the principal subsidiary of Jackson-based CMS Energy Corporation. Consumers Energy, Michigan’s largest utility, provides electric and natural gas service to more than 6 million of the state’s 10 million residents in all 68 counties in the Lower Peninsula.

The Assessment follows the Global Reporting Initiative (GRI) *G4 Implementation Manual – Identified Material Aspects and Boundaries* as a guideline to define the scope of work. The goal of the Assessment was to identify Material Aspects that 1) reflect Consumers’ significant environmental, social and economic impacts; or 2) substantively influence the assessments and decisions of stakeholders. Consumers defines Material Aspects as those topics that have a significant impact on Consumers’ ability to provide safe, affordable, reliable and sustainable energy to its customers while enhancing environmental, social and economic value for communities it serves. The boundaries of the Assessment included internal and external stakeholders.

The Assessment began by developing a broad list of Relevant Topics that *may* be considered important for evaluating Consumers’ significant impacts or influencing the decisions of stakeholders. An initial list of 67 topics was developed through the following methods: 1) Consumers background review; 2) extensive review of utility and non-utility sustainability sources; 3) review of industry leaders and peers; and 4) input from Consumers and the Sustainability Core Team¹. Through several different stages of review and analysis, the initial list was reduced to 31 Relevant Topics. This list was organized by the 5 Sustainability Frameworks² (the “Frameworks”) and was provided to internal and external stakeholders who were asked to rate the importance of the topics.

Internal stakeholders were engaged through a workshop, the Sustainability Survey, phone calls and emails. Internal stakeholders included variety of representatives through the company whom had expertise in the 5 Framework areas, inclusive of executive management. Each respondent was asked to rate the importance of the 31 Relevant Topics. A total of 52 personnel from Consumers were asked to participate in the rating exercise and 40 responded, resulting in a 77% response rate. Please refer to Figure 1 for the internal stakeholder Materiality Matrix and Figure 2 for executive management’s rating of relevant topics organized by the 5 Frameworks.

¹ The Sustainability Core Team consisted of 4 members at Consumers Energy representing different areas of expertise. Please refer to Section 3.0 of the Material Assessment full report for more information

² Sustainability Framework includes 1) Improving Our Environmental Footprint; 2) Bolstering Michigan Communities; 3) Delivering Customer Value by Creating Innovative Products and Services; 4) Investing In People; and 5) Delivering Shareowner Value.

External stakeholder groups were engaged through the Sustainability Survey, phone calls and emails. The Sustainability Survey was provided to a total of 277 individuals representing 163 different organizations, not including the engagement with Consumers' Customer Panel. The response rate for organizations was 35.6% and for individuals was 25.3%. A Sustainability Survey was also provided to Consumers' Customer Panel, which included 24,495 residential customers and 570 business customers. A total of 8,021 surveys were completed and returned from the Customer Panel, a response rate of 32.7%. The response rate for all external stakeholder groups was 36.4% for organizations and 31.9% for individuals. Please refer to Figure 3 for external stakeholders' rating of relevant topics.

The results of the Assessment were combined into a Materiality Matrix plotting internal ratings on the X-axis and external ratings on the Y-axis. The Materiality Matrix was used to identify the top 10 Material Aspects. A weighting scheme was applied to both the internal respondents and external stakeholder group. Internal respondents were weighted based on their expertise within a Framework. For example, the ratings provided by Consumers personnel with expertise in Improving Environmental Footprint were weighted higher than the ratings for that personnel in a different category. External stakeholder group responses were weighted higher for groups with greater knowledge and influence on Consumers' decision-making. For example, the Michigan Public Service Commission responses were weighted higher than NGO responses. The top 10 Material Aspects are listed in the table below. Please refer to Figure 4 for the internal and external stakeholder Materiality Matrix.

Table 1. Top 10 Material Aspects

Sustainability Framework	Relevant Topic	Combined Internal Weighted Average	Combined External Weighted Average
Delivering Customer Value	Energy Reliability	4.05	4.49
Improving Our Environmental Footprint	Air Quality	4.19	4.33
Bolstering Michigan Communities	Public Health and Safety	3.82	4.47
Delivering Customer Value	Energy Affordability	3.87	4.32
Investing in People	Employee Safety and Wellness	3.46	4.61
Delivering Shareowner Value	Ethical Culture	3.70	4.32
Delivering Customer Value	Customer Service Quality and Responsiveness	3.55	4.43
Improving Our Environmental Footprint	Greenhouse Gas (GHG) Emissions	4.13	3.85
Delivering Shareowner Value	Fair and Timely Regulation	4.06	3.81
Improving Our Environmental Footprint	Water Management	3.83	4.04

The above topics were considered Material Aspects because they were deemed most important by internal and external stakeholders as represented in the Materiality Matrix. However, several topics,

considered important by the internal and external groups, were not represented in the table above. The following table is a summary of topics that were not included in the final Materiality Matrix, but were included in the internal or external stakeholder analysis of the top 10 topics. Table 2 includes the important topics as rated by *all* internal and external individuals and organizations.

Table 2. Important Topics for Internal and External Stakeholders

Relevant Topic	Group	Weighted Average
Talent Pipeline and Development	(External)	4.23
Managing Community Impacts	(External)	4.19
Governance, Risk and Compliance (disclosure)	(External)	4.11
Political Engagement	(Internal)	3.94
Reputation Management	(Internal)	3.94
Fuel Diversity	(Internal)	3.85

The results of the Assessment provide Consumers with a list of the top 10 Material Aspects, as well as a wealth of information regarding the perspective of over 165 organizations and 8,000 individuals. The Assessment can be used to verify that current Consumers' sustainability efforts are congruent with the views of external and internal stakeholders. Further, Consumers should consider the important topics identified by internal and external stakeholders. This includes those topics identified in Table 2 above, as well as those identified by individual stakeholder groups. Further analysis may determine additional topics to be Material Aspects.

The Materiality Assessment full report provides a detailed documentation of the entire process and results.

Figure 1
Internal Materiality Matrix

Figure 1. Internal Materiality Matrix

Category	Code	Average Weighted Likelihood	Average Weighted Severity
Quadrant 1			
Greenhouse Gas Emissions	A	4.18	3.89
Air Quality	B	4.15	3.79
Renewable Energy	R	3.74	3.52
Fuel Diversity	N	3.68	3.53
Fair and Timely Regulation	X	3.51	3.42
Energy Efficiency	Q	3.60	3.30
Water Management	C	3.65	3.17
Energy Affordability	O	3.49	3.30
Energy Reliability	M	3.50	3.24
Political Engagement	AC	3.42	3.29
Reputation Management	Z	3.23	3.34
Waste Management	E	3.36	3.11
Public Health and Safety	K	3.09	3.17
Border of Quadrant 1 and 4			
Michigan Ecosystem Protection	D	3.21	3.00
Governance, Risk and Compliance (disclosure)	Y	3.10	2.98
Quadrant 2			
Cyber Information and Physical Security	AE	2.50	4.00
Border of Quadrant 1 and 2			
Financial Performance	AA	3.00	3.20
Quadrant 3			
Managing Community Impacts	J	2.86	2.93
Ethical Culture (code of conduct)	AB	2.87	2.82
Product Innovation	P	2.88	2.69
Business Continuity	AD	2.65	2.62
Supplier Sustainability Criteria	F	2.76	2.45
Corporate and Employee Community Engagement, Outreach and Volunteering	G	2.66	2.53
Charitable Giving	H	2.78	2.35
Customer Service Quality and Responsiveness	L	2.61	2.48
Employee Safety and Wellness	V	2.53	2.46
Employment Practices	T	2.54	2.29
Talent Pipeline and Development	W	2.40	2.12
Diversity and Inclusion	S	2.29	2.15
Work-Life Effectiveness	U	2.10	1.93
Quadrant 4			
Economic Development and Impact	I	3.16	2.85

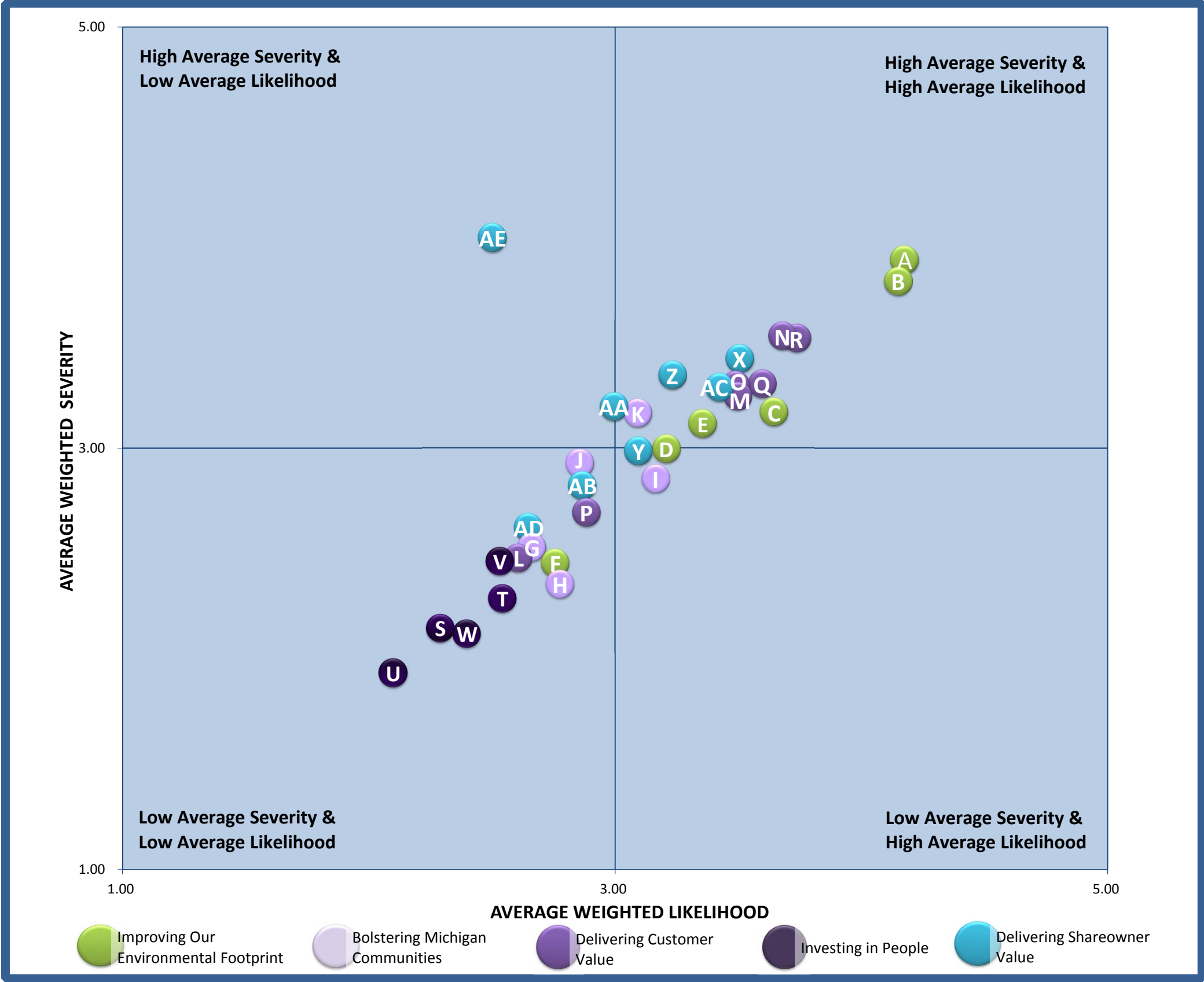


Figure 2

Executive Management's Rating of Relevant Topics

Figure 2. Executive Management's Rating of Relevant Topics

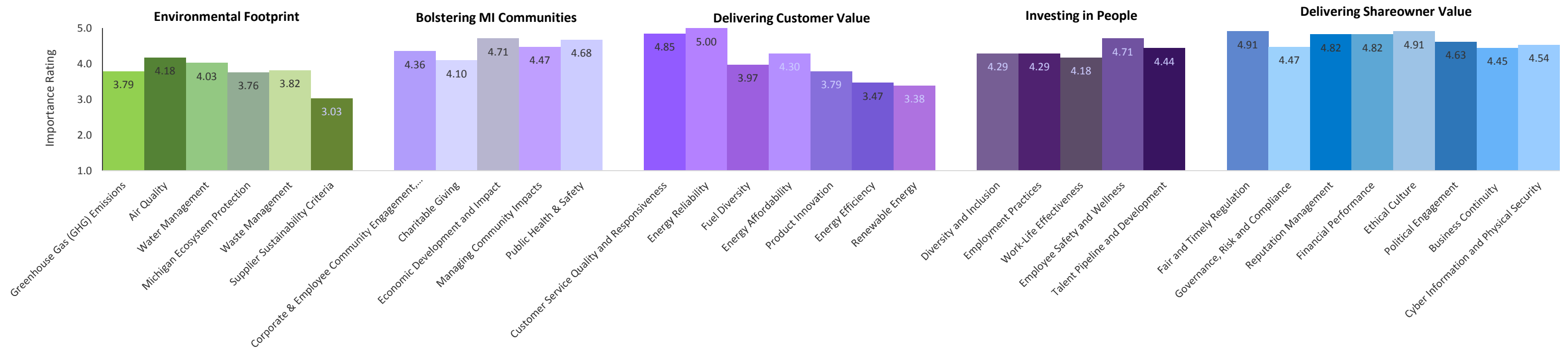


Figure 3

External Stakeholders' Rating of Relevant Topics

Figure 3. External Stakeholders' Importance Rating of Sustainability Criteria

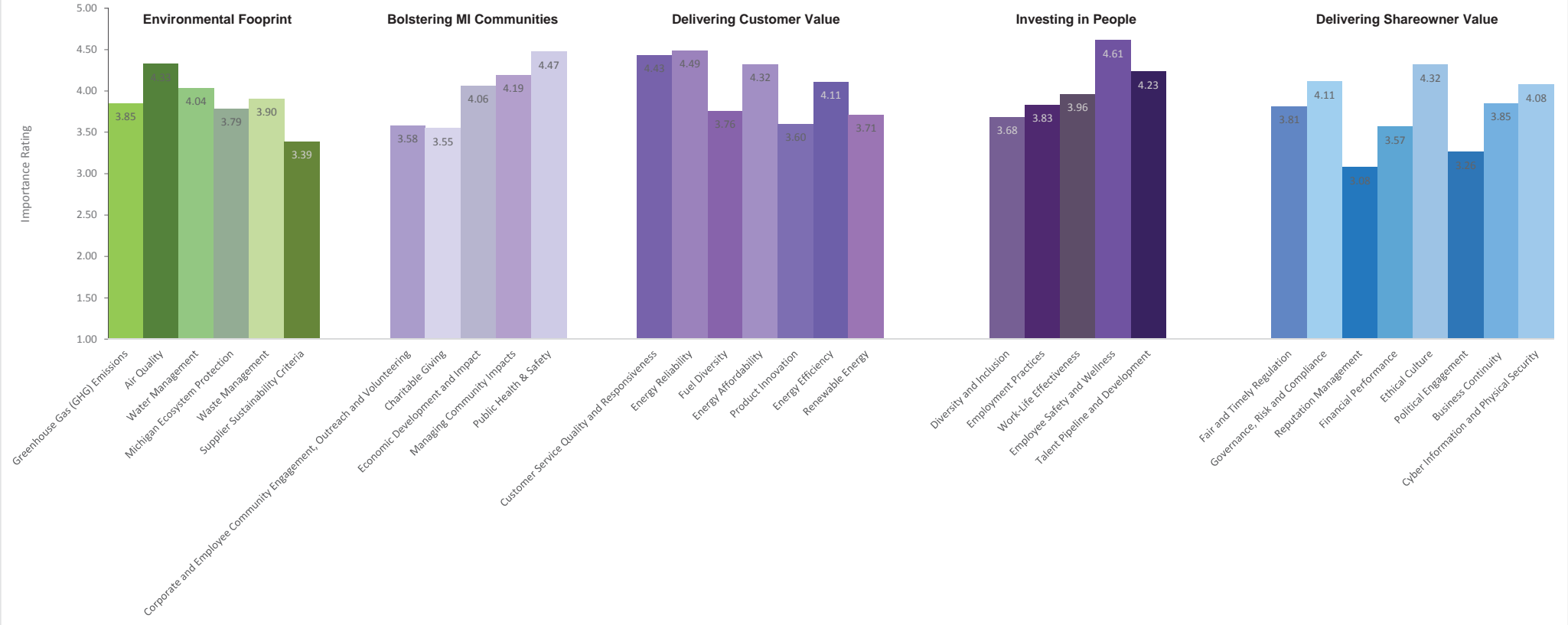


Figure 4

Materiality Matrix for Consumers Energy

Relevant Topic		Internal (x)	External (y)
Energy Reliability	M	4.05	4.49
Air Quality	B	4.19	4.33
Public Health and Safety	K	3.82	4.47
Energy Affordability	O	3.87	4.32
Employee Safety and Wellness	V	3.46	4.61
Ethical Culture (code of conduct)	AB	3.70	4.32
Customer Service Quality and Responsiveness	L	3.55	4.43
Greenhouse Gas Emissions	A	4.13	3.85
Fair and Timely Regulation	X	4.06	3.81
Water Management	C	3.83	4.04
Economic Development and Impact	I	3.76	4.06
Governance, Risk and Compliance (disclosure)	Y	3.70	4.11
Managing Community Impacts	J	3.62	4.19
Energy Efficiency	Q	3.63	4.11
Fuel Diversity	N	3.85	3.76
Cyber Information and Physical Security	AE	3.48	4.08
Renewable Energy	R	3.78	3.71
Talent Pipeline and Development	W	3.25	4.23
Waste Management	E	3.51	3.90
Financial Performance	AA	3.81	3.57
Michigan Ecosystem Protection	D	3.59	3.79
Business Continuity	AD	3.47	3.85
Political Engagement	AC	3.94	3.26
Employment Practices	T	3.32	3.83
Corporate and Employee Community Engagement, Outreach and Volunteering	G	3.44	3.58
Work-Life Effectiveness	U	3.06	3.96
Reputation Management	Z	3.94	3.08
Product Innovation	P	3.40	3.60
Charitable Giving	H	3.37	3.55
Diversity and Inclusion	S	3.20	3.68
Supplier Sustainability Criteria	F	3.12	3.39

Figure 4. Materiality Matrix for Consumers Energy Combined Internal & External Survey Results

