

HAWAIIAN ELECTRIC INDUSTRIES INC  
Form DEF 14A  
March 25, 2014

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**Hawaiian Electric Industries, Inc.**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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March 25, 2014

Dear Fellow Shareholder:

On behalf of the Board of Directors, it is my pleasure to invite you to attend the Annual Meeting of Shareholders of Hawaiian Electric Industries, Inc. (HEI). The meeting will be held on HEI's premises in Room 805 on the eighth floor of the American Savings Bank Tower, located at 1001 Bishop Street, Honolulu, Hawaii, on Wednesday, May 7, 2014, at 9:30 a.m., Honolulu time. A map showing the location of the meeting site appears on the last page of the Proxy Statement.

The accompanying Notice of Annual Meeting of Shareholders and Proxy Statement describe the business to be conducted during the meeting. In addition, we will review certain significant events that took place in 2013 and their impact on the Company and on you as a shareholder of HEI. HEI officers and Board members will be available before the meeting to talk with you and answer questions.

**Your vote is very important.** Whether or not you attend the meeting in person, and no matter how many shares you own, it is important that your views be represented. **Please vote your shares by signing and returning your proxy card or using telephone or internet voting. Instructions on how to vote are on pages 2-3.**

The Board and management team of HEI would like to express our appreciation to you for your confidence and support. I look forward to seeing you at the Annual Meeting in Honolulu.

Sincerely,

**Constance H. Lau**  
President and Chief Executive Officer

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## NOTICE OF ANNUAL MEETING

<b>Date and Time</b>	Wednesday, May 7, 2014, at 9:30 a.m., Honolulu time.
<b>Place</b>	American Savings Bank Tower, 1001 Bishop Street, 8th floor, Room 805, Honolulu, Hawaii 96813.
<b>Items of Business</b>	<ol style="list-style-type: none"><li>1. Election of three Class III directors for a three-year term expiring at the 2017 Annual Meeting of Shareholders.</li><li>2. Advisory vote to approve HEI's executive compensation.</li><li>3. Approval of the 2010 Equity and Incentive Plan as amended and restated.</li><li>4. Ratification of the appointment of PricewaterhouseCoopers LLP as HEI's independent registered public accounting firm for 2014.</li></ol>
<b>Record Date</b>	February 27, 2014.
<b>Annual Report</b>	The 2013 Annual Report to Shareholders, which is not a part of the proxy solicitation materials, has been mailed or made available electronically along with this Notice and accompanying Proxy Statement.
<b>Proxy Voting</b>	<p>Shareholders of record may appoint proxies and vote their shares in one of four ways:</p> <ul style="list-style-type: none"><li>Via the Internet</li><li>By telephone</li><li>By mail</li><li>In person</li></ul> <p>Shareholders whose shares are held by a bank, broker or other financial intermediary (i.e., in "street name") should follow the voting instruction card provided by such intermediary.</p> <p>Any proxy may be revoked in the manner described in the accompanying Proxy Statement.</p>
<b>Attendance at Meeting</b>	Only shareholders of record as of the record date are entitled to receive notice of, attend and vote at the Annual Meeting. If your shares are registered in street name, you must bring a letter from your bank or broker or provide other evidence of your beneficial ownership on the record date if you plan to attend the Annual Meeting.



By Order of the HEI Board of Directors.

March 25, 2014

Chester A. Richardson  
Executive Vice President, General  
Counsel, Secretary and Chief  
Administrative Officer

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders  
to be held on May 7, 2014**

The accompanying Proxy Statement, 2013 Annual Report to Shareholders and 2013 Annual Report on Form 10-K  
are available at <http://www.hei.com>

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## PROXY SUMMARY

*This summary contains highlights about our Company and the upcoming 2014 Annual Meeting of Shareholders. This summary does not contain all of the information that you should consider. Please read the entire Proxy Statement carefully prior to voting.*

### VOTING MATTERS

Management Proposals	Board Vote Recommendation	Page
1. Election of Directors	FOR Each Nominee	5
2. Advisory Vote to Approve Executive Compensation	FOR	25
3. Approval of the 2010 Equity and Incentive Plan as amended and restated	FOR	61
4. Ratification of Appointment of Independent Auditor for 2014	FOR	76

### ELECTION OF DIRECTORS

The following table provides summary information about the three nominees for election to the Board as Class III Directors. Additional information about all directors, including the nominees, may be found beginning on page 6.

Name	Age	Year	Position	Class	Other
Peggy Y. Fowler	62	2011	Chairman, Umpqua Holdings Corp. Former President & CEO, Portland General Electric	AC	1
Keith P. Russell	68	2011	President, Russell	AC	1

Financial

Barry K. Taniguchi	66	2004	President & CEO, KTA Super Stores	AC (Chair)
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*AC = Audit Committee*

**GOVERNANCE HIGHLIGHTS**

HEI's governance is guided by the principle that shareholder value for our Company is linked to the value we bring to the customers and communities we serve. Highlights of our governance include:

**RECENT UPDATES**

Election of directors by "plurality plus" voting begins in 2014; thus, a director must submit his or her resignation for consideration by the Board if the director fails to receive the support of a majority of the votes cast.

Performance measures for incentive compensation plans beginning in 2014 have been modified in response to input gained through shareholder outreach.

**BOARD OF DIRECTORS**

Independent Chairman of the Board

9 directors, 8 of whom are independent

Over 65% of directors are women or from diverse ethnic backgrounds

All Audit, Compensation and Nominating & Corporate Governance Committee members are independent

Executive session of independent directors held at each Board meeting

All directors attended over 85% of meetings of the Board and Board committees on which they served in 2013

Policy limitation for membership on other public company boards

High priority for regular succession planning for both senior management and the Board

Annual Board and committee self-evaluations and periodic director self and peer review

Directors required to submit resignation for consideration by the Board upon the end of their term after reaching age 72 or in event of a significant change in their employment

Share ownership and retention requirements for directors and executives

**SHAREHOLDER INTERESTS**

Plurality-plus voting standard for uncontested director elections

No shareholder rights plan

Annual vote to ratify appointment of independent auditor

Active shareholder engagement

Prohibition on hedging and pledging

**2013 BUSINESS HIGHLIGHTS**

2013 was a dynamic year for HEI, with financial headwinds as well as significant business accomplishments. We continue to manage our businesses for the long-term, while staying committed to solid near-term performance.

**FINANCIAL RESULTS**

Although net income was relatively flat from 2012 to 2013 on a core (non-GAAP) basis, this result represents strong performance by the Company. Unanticipated regulatory constraints in both businesses and a challenging interest rate environment for our bank presented significant challenges for our enterprise in 2013. Through cost controls and prudent management across the enterprise and solid loan growth and reduced credit costs at our bank subsidiary, the Company overcame these headwinds to achieve net income of \$162M for the year.

Our 2013 diluted earnings per share (EPS) was 4% lower than 2012 core diluted EPS, reflecting in part our issuance of 3.3 million shares in 2013 mainly to fund investment in our utility.

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2013	\$162M		2013	\$1.62	2013	9.7%
&zwsp; 2012	&zwsp; \$139M (163)	&zwsp; 2012	&zwsp; \$1.42 (1.68)	&zwsp; 2012	&zwsp; 8.9% (10.4%)	&zwsp;
2011	\$138M (144)		2011	\$1.44 (1.50)	2011	9.2% (9.6%)

*Note: Numbers in parentheses represent non-GAAP core earnings before writedowns in Q4 2011 and Q4 2012. See Exhibit A for a reconciliation of GAAP and non-GAAP core figures.*



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On a 5- and 10-year basis, total shareholder return (TSR) remained relatively solid. TSR lagged comparators in 2012 and 2013, principally due to stock price compression from regulatory challenges for our subsidiaries. Nevertheless, we continued our 113-year history of dividends, returning \$123 million in dividends to shareholders in 2013 and \$361 million in the aggregate from 2011-2013.

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	&zwsp;	&zwsp;	&zwsp;	&zwsp;	&zwsp;
2013		8.7	32.4	13.0	46.9
&zwsp; 3-year	&zwsp;	32.0 &zwsp;	56.8 &zwsp;	38.4 &zwsp;	57.8 &zwsp;
5-year		54.8	128.2	64.0	47.9
&zwsp; 10-year	&zwsp;	84.0 &zwsp;	104.3 &zwsp;	143.9 &zwsp;	24.5 &zwsp;

### **BUSINESS ACCOMPLISHMENTS**

We made substantial strides across the HEI enterprise in 2013, including the following highlights:

We successfully accessed the capital markets to help fund more than \$340 million of utility infrastructure investments to support clean energy and reliability.

Our utility, Hawaiian Electric Company, surpassed the state of Hawaii's goal of 15% renewables by 2015, with 18% of generation from renewable sources and avoiding the equivalent of 2.9 million barrels of oil. Hawaiian Electric Company also led the nation in integrating customer-sited solar in 2013.

Our bank, American Savings Bank, exceeded its loan growth goals for 2013, gained market share in home lending and improved asset quality. At the same time, it implemented new credit card options and strengthened data management systems and other core capabilities to build a stronger foundation for the future.

**EXECUTIVE COMPENSATION HIGHLIGHTS PAYING FOR PERFORMANCE**

The 2013 compensation program for our named executive officers is simple and straight-forward, and is comprised of four primary elements base salary, performance-based annual and long-term incentives, and restricted stock units vesting in installments over four years. We emphasize variable pay over fixed pay, with the majority of the total compensation opportunity at target for each named executive officer linked to the Company's financial, market and operational results. The compensation program also balances the importance of achieving long-term strategic priorities and critical short-term goals linked to long-term objectives.

**Named Executive Officer (NEO) Pay Opportunity**

**Variable Over Fixed Pay Opportunity  
at Target**

**Balance of Short- and Long-Term Pay  
Opportunity at Target**

**VARIABLE PAY REFLECTS COMPANY PERFORMANCE**

Under our pay-for-performance design, incentive payouts to named executive officers closely align with results. The following graphs show the performance-based payouts to the Chief Executive Officer (CEO), for net income and for TSR relative to the Edison Electric Institute (EEL) Index (Relative TSR), for 2013 and the four prior years. While CEO annual incentive pay rose significantly in 2012 based on non-GAAP core earnings, such pay sharply declined in 2013 when net income remained essentially flat compared to the prior year. Long-term incentive pay over the respective three-year periods tracked our Relative TSR results. In particular, because Relative TSR has lagged in the past two years, no payout was made with respect to the 2011-13 Relative TSR metric (which represented 50% of the CEO's long-term incentive opportunity).

**Annual Net Income Results and CEO Performance-  
Based Annual Incentive Payouts**

**3-Year Relative TSR Results and Performance-  
Based Long-Term Incentive Payouts**

*1 Non-GAAP core annual net income differs from what is reported under GAAP because it reflects impacts excluded by the Compensation Committee in determining results achieved for purposes of annual incentive plans. See Exhibit A for a reconciliation of GAAP and non-GAAP figures.*



## **COMPENSATION COMMITTEE DECISION-MAKING**

The Compensation Committee establishes pay programs and reviews performance results to ensure that named executive officer compensation aligns with shareholder interests. In addition, the Committee consults with an independent compensation consultant with respect to the design of the plans, performance results and reasonableness of pay decisions.

The Committee considers adjustments to performance results with caution and only in circumstances that are unforeseen and unique or extraordinary. The Committee recognizes that the two operating subsidiaries are heavily regulated and external forces can impact incentive plans significantly. Concurrently, the Committee is mindful of only considering adjustments that are warranted and will also serve the long-term interests of shareholders. For further discussion of adjustments, see page 36.

The Committee believes that named executive officer compensation reflects favorably on the Company's pay-for-performance objective, is aligned with shareholder interests and compares well relative to the Company's peers.

## **OUR EXECUTIVE COMPENSATION PROGRAM INCORPORATES BEST PRACTICES:**

- Majority of target compensation opportunity tied to performance
- Stock-based long-term compensation aligns executive incentives with shareholder interests
- Rigorous performance goals are aligned with business strategy
- Stock ownership and retention requirements apply to named executive officers
- Clawback policy for performance-based pay
- "Double trigger" change-in-control agreements
- No tax gross ups (except for executive death benefit frozen in 2009)
- No employment contracts
- Minimal perquisites
- Prohibition against hedging and pledging
- No dividends or dividend equivalents paid on unearned performance shares

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## PROXY STATEMENT

HEI is soliciting proxies for the Annual Meeting of Shareholders scheduled for Wednesday, May 7, 2014, at 9:30 a.m., Honolulu time, at the American Savings Bank Tower, 1001 Bishop Street, 8th floor, Room 805, Honolulu, Hawaii. The mailing address of the principal executive offices of HEI is P.O. Box 730, Honolulu, Hawaii 96808-0730.

The approximate mailing date for this Proxy Statement, form of proxy and Annual Report to Shareholders is March 25, 2014. The 2013 Annual Report to Shareholders accompanying this Proxy Statement is not considered proxy soliciting material.

## ABOUT THE MEETING

### Attendance

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Attendance will be limited to:

shareholders of record (i.e., shareholders who own shares registered in their own name on the books of HEI) on the record date;

beneficial owners of HEI Common Stock having evidence of ownership as of the record date and entitlement to vote at the meeting;

authorized representatives of absent shareholders; and

invited guests of management.

If you own shares of HEI Common Stock in the name of a bank, brokerage firm or other holder of record, you must show proof of ownership. This may be in the form of a letter from the holder of record or a recent statement from the bank or broker showing ownership of HEI Common Stock.

Any person claiming to be an authorized representative of a shareholder must produce written evidence of the authorization.

### Proposals subject to shareholder vote

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**Proposal No 1:** Election of three Class III directors to serve a three-year term expiring at the 2017 Annual Meeting of Shareholders.

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**Proposal No 2:** Advisory vote to approve HEI's executive compensation.

**Proposal No 3:** Approval of the 2010 Equity and Incentive Plan (EIP) as amended and restated.

**Proposal No 4:** Ratification of the appointment of PricewaterhouseCoopers LLP (PwC) as HEI's independent registered public accounting firm for 2014.

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## VOTING PROCEDURES

### Electronic access to proxy materials

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HEI provides shareholders the option to access its proxy materials via the Internet. In keeping with our efforts to conserve natural resources, this method of delivery reduces the amount of paper necessary to produce these materials and reduces the costs associated with the printing and mailing of these materials to shareholders. On March 25, 2014, a Notice of Internet Availability of Proxy Materials (Notice) will be mailed to certain shareholders and our proxy materials will be posted on the website referenced in the Notice ([www.ViewMaterial.com/HEI](http://www.ViewMaterial.com/HEI)). As more fully described in the Notice, shareholders may choose to access our proxy materials on the website referred to in the Notice or may request to receive a printed set of our proxy materials. The Notice and website will provide information regarding how to request to receive proxy materials in printed form by mail or electronically by e-mail on an ongoing basis.

If you currently receive HEI's proxy materials in printed form and would like to receive them electronically in the future, please so indicate on the enclosed proxy, if voting by mail, or by following the instructions provided when using the telephone or Internet voting options described under "How to vote" below.

### Eligibility to vote

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Only persons who own shares of HEI Common Stock as of the close of business on February 27, 2014 (the proxy record date) are entitled to vote.

### Shares outstanding and entitled to vote

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On February 27, 2014, 101,449,122 shares of HEI Common Stock were outstanding. Each shareholder is entitled to one vote for each share held on the record date. Under the Bylaws of HEI, shareholders do not have cumulative voting rights in the election of directors.

### Quorum requirements

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A quorum is needed to conduct business at the Annual Meeting. A majority of the shares of HEI Common Stock outstanding on February 27, 2014 and entitled to vote, and present in person or by proxy at the Annual Meeting, constitutes a quorum. Abstentions and broker votes of uninstructed shares on routine matters (such as ratification of the appointment of the independent registered public accounting firm) will be counted in the number of shares present in person or by proxy for purposes of determining a quorum. A quorum established for one purpose will apply for all purposes at the Annual Meeting.

### How to vote

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Whether or not you plan to attend the Annual Meeting, please take the time to vote. You may vote via the Internet, by touchtone telephone or by mail before the Annual Meeting, or in person at the Annual Meeting. The Internet and telephone procedures are designed to authenticate your vote and confirm that your voting instructions are followed. If you vote via the Internet or by telephone, follow the instructions on the Notice or voting instruction card you received by mail. If you vote by telephone, you will receive additional recorded instructions, and if you vote via the Internet, you will receive additional instructions at the Internet website.





You will need to have available the control number on your Notice or proxy/voting instruction card, as applicable.

Shareholders who vote via the Internet or by telephone should *not* mail the proxy/voting instruction card.

1.  
**BY INTERNET:** You may vote on-line by following the instructions in the Notice or by accessing the Internet at *www.cesvote.com*. Instructions regarding how to record and confirm your vote will be available on the website.
2.  
**BY TELEPHONE:** You may vote by touchtone telephone by following the instructions in the Notice or by calling 1-888-693-8683. Once connected, you will be prompted to record and confirm your vote.
3.  
**BY MAIL:** Please mark your vote and sign, date and promptly return the proxy card in the postage-paid envelope provided. If you return the signed proxy card but do not mark the boxes showing how you wish to vote, your votes will be cast following the Board's recommendations on all proposals. If you wish to have someone other than the individuals listed on the enclosed proxy card vote your shares at the meeting, cross out all three names and insert the name of the person you designate as your proxy to vote your shares at the meeting.
4.  
**IN PERSON:** You or your proxy may vote your shares by attending the Annual Meeting and voting in person.

## Voting shares held in street name

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If your shares are held in "street name" (that is, through a broker, trustee or other holder of record), you will receive a voting instruction card or other information from your broker or other holder of record seeking instruction from you as to how your shares should be voted. *If you do not provide such instruction, your broker or nominee may vote your shares at its discretion on your behalf on routine matters, but not on nonroutine matters.* The ratification of the appointment of HEI's independent registered public accounting firm is considered a routine matter. The election of directors, the advisory vote on executive compensation and the vote on the amended and restated EIP are considered nonroutine matters.

**Please provide instructions to your broker on how to vote your shares on all four proposals to ensure that your shares will be voted on all proposals in accordance with your wishes.**

You may not vote shares held in "street name" at the Annual Meeting unless you obtain a legal proxy from your broker or holder of record.

## Voting shares held in the HEI Dividend Reinvestment and Stock Purchase Plan, the HEI Retirement Savings Plan or the American Savings Bank 401(k) Plan

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If you own shares held in the HEI Dividend Reinvestment and Stock Purchase Plan, the HEI Retirement Savings Plan (including shares previously received under the Tax Reduction Act Stock Ownership Plan or the HEI Stock Ownership Plan) or the American Savings Bank 401(k) Plan, you will receive instructions explaining how to direct your vote. Your shares will be voted according to your directions. For all of these plans, all shares of HEI Common Stock for which no voting instructions are given will be voted in the same proportion as the shares for which voting instructions were given.

## Changing your vote

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If you vote by any of the methods described above, you may revoke your proxy card or vote at any time before the Annual Meeting in one of three ways:

submit a properly signed proxy card with a later date or vote again at a later time by telephone or Internet;

notify the Corporate Secretary of HEI in writing; or

vote in person at the Annual Meeting (if your shares are registered in your name on HEI's books or if your shares are held in "street name" and you have a legal proxy from your broker or other holder of record).

## Vote requirements

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If a quorum is present at the Annual Meeting, then:

Directors will be elected by a plurality of the votes cast. Plurality means that the persons receiving the highest number of votes are elected. Your options are to vote either "FOR" or to "WITHHOLD" your vote for a nominee. Although the election of directors is considered a nonroutine matter, broker nonvotes (i.e., when your broker or other holder of record does not vote your shares on a nonroutine matter because you have not provided instructions regarding how to vote on that matter) will not affect the outcome of this matter if a quorum is present.

In the event a director is elected under the plurality standard described above but does not receive the support of a majority of the votes cast, such director is required to submit his or her resignation to the Board for consideration. The Board would then analyze the shareholder concerns that drove the vote result and determine the most appropriate way to address those concerns, possibly by accepting the director's resignation.

Since the votes on executive compensation are advisory, the result will not be binding on the Board.

However, the Board and Compensation Committee value input from shareholders and will consider the vote outcome when making future compensation decisions. Brokers may not vote on this proposal without your instructions because this proposal is considered a nonroutine matter. For this proposal, your options are to vote "FOR," "AGAINST" or "ABSTAIN."

The amended and restated EIP will be approved if the majority of votes cast are in favor of such approval. Abstentions will be considered votes cast and will have the same effect as voting against approval of the amended and restated EIP. Broker nonvotes will have no effect on the outcome of the vote. For this proposal, your options are to vote "FOR," "AGAINST" or "ABSTAIN."

The appointment of HEI's independent registered public accounting firm will be ratified if more votes are cast in favor than against such ratification. Abstentions and broker nonvotes will not affect the outcome of this matter if a quorum is present. For this proposal, your options are to vote "FOR," "AGAINST" or "ABSTAIN."

## Counting the votes and confidentiality

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Corporate Election Services will act as tabulator for broker and bank proxies as well as for proxies of the other shareholders of record. Your identity and vote will not be disclosed to persons other than those acting as tabulators except:

as required by law;

to verify the validity of proxies and vote results in the case of a contested proxy solicitation; or

when you write a comment on the proxy card.

## **Other matters to be decided at the Annual Meeting**

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HEI knows of no business to be presented at the 2014 Annual Meeting other than the items set forth in this Proxy Statement. If other business is properly brought before the Annual Meeting, or any adjournment or postponement thereof, the persons named on the enclosed proxy card will vote your stock in accordance with their best judgment, unless authority to do so is withheld by you in your proxy card.

## **Postponement or adjournment of Annual Meeting**

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If the Annual Meeting is postponed or adjourned, your proxy card will remain valid and may be voted at the postponed or adjourned meeting. You will still be able to change or revoke your proxy card until it is voted at the Annual Meeting.

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## **PROPOSAL NO. 1: ELECTION OF CLASS III DIRECTORS**

In accordance with HEI's Bylaws, the Board has fixed the size of the Board at nine directors, divided equally into three classes with staggered terms. The Board proposes that the following three nominees be elected at the 2014 Annual Meeting as Class III directors to serve until the 2017 Annual Meeting, or until his or her respective successor shall be duly elected and qualified:

Peggy Y. Fowler

Keith P. Russell

Barry K. Taniguchi

Ms. Fowler, Mr. Russell and Mr. Taniguchi are all incumbent Class III directors of HEI. The Board has determined that Ms. Fowler, Mr. Russell and Mr. Taniguchi are independent under the applicable standards for director independence, as discussed below under "Board of Directors Independent Directors." Each nominee has consented to serve for the new term expiring at the 2017 Annual Meeting if elected. If a nominee is unable to stand for election at the time of the 2014 Annual Meeting, the proxy holders listed in the proxy card may vote in their discretion for a suitable substitute.

Information regarding the business experience and certain other directorships for each Class III director nominee and for each continuing Class I and II director is provided on pages 6-11 below together with a description of the experience, qualifications, attributes and skills that led to the Board's conclusion at the time of this Proxy Statement that each of the nominees and directors should serve on the Board in light of HEI's current business and structure.

Your Board recommends that you vote FOR each of the nominees for Class III Director listed above.

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## **DIRECTOR NOMINEES FOR ELECTION**

### **Nominees for Class III Directors whose terms expire at the 2017 Annual Meeting**

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*Peggy Y. Fowler*

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**Director since 2011**

**Age 62**

**Audit Committee Member**

Ms. Fowler brings a unique combination of utility and banking knowledge and experience to HEI. Ms. Fowler's prior position as chief executive officer of a NYSE-listed public utility company imparts significant leadership and management expertise to the Board. Additionally, Ms. Fowler's more recent experience of serving on the board of a publicly traded bank holding company strengthens the Board's capabilities in overseeing the subsidiary bank operations.

*Business experience and other public company and HEI affiliate directorships since 2009*

Co-CEO, Portland General Electric Company (PGE), 2009

President and CEO, PGE, 2000-08

Director, PGE, 1998-2012

Chairman of the Board and Executive Committee since 2012 and director since 2009, Umpqua Holdings Corp.(publicly traded bank holding company)

Director and Audit Committee Member, Hawaiian Electric (HEI subsidiary), since 2009

*Skills and qualifications for HEI Board service*

35 years of executive leadership, financial oversight and utility operations experience from serving at PGE in senior officer positions, including Chief Operating Officer, President and CEO.

Environmental and renewable energy expertise from managing PGE's environmental department, overseeing initiatives that improved fish passage on multiple Oregon rivers, supervising the construction and integration into PGE's grid of wind and solar projects, and leading PGE to be ranked #1 by the National Renewable Energy Laboratory for selling more renewable power to residential customers than any other utility in the U.S. for several years during her tenure as PGE's CEO.

Proven management, leadership and analytical skills, including crisis management, risk assessment, strategic planning and public relations skills.

Expertise in financial oversight, regulatory compliance and corporate governance gained from serving as President (1997-2000), CEO (2000-08) and Chair (2001-04) of PGE, as a director for the Portland Branch of the Federal Reserve Bank of San Francisco and as a director and committee member for several private and public companies, including Umpqua Holdings Corporation.

***Keith P. Russell***

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**Director since 2011**

**Age 68**

**Audit Committee Member**

Mr. Russell has extensive senior management experience in the banking industry. Mr. Russell's many years of executive leadership experience in managing and overseeing bank operations contributes invaluable expertise to the Board. In addition, his prior service as chief risk officer of a large financial institution significantly strengthens the Board's capabilities in overseeing and managing risk within the organization. Mr. Russell also has extensive knowledge and

experience from his prior service as an officer of a lender to the electric utility industry.

*Business experience and other public company and HEI affiliate directorships since 2009*

President, Russell Financial, Inc. (strategic and financial consulting firm), since 2001

Vice Chair/Chief Risk Officer, Mellon Financial Corp., then Chairman, Mellon West, 1991-2001

Senior Executive Vice President, then Director, President and Chief Operating Officer, GLENFED/Glendale Federal Bank, 1983-91

Director and Audit Committee Member since 2010 and Risk Committee Chair since 2012, ASB (HEI subsidiary)

Director and Audit Committee Member, Sunstone Hotel Investors, since 2003

Director, Nationwide Health Properties, 2002-11

*Skills and qualifications for HEI Board service*

10 years of executive leadership, financial oversight, risk management and strategic planning experience from serving as Vice Chairman/Chief Risk Officer for Mellon Financial Corporation and Chairman of Mellon's West Coast operations. Mellon was also a major lender and capital provider to the electric utility industry.

8 years of executive and corporate governance experience from serving as Director, President and Chief Operating Officer of GLENFED/Glendale Federal Bank.

9 years of banking industry experience serving as Senior Vice President and Deputy Administrator for Security Pacific National Bank, with direct responsibility for a wide breadth of operations, including leasing, consumer and commercial finance, mortgage banking, venture capital, cash management and trust business.



*Barry K. Taniguchi*

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**Director since 2004**

**Age 66**

**Audit Committee Chair**

**Executive Committee Member**

Mr. Taniguchi brings to the Board considerable experience as a proven business leader in Hawaii, with extensive knowledge of the business climate and significant contacts and relationships within the business community and local governmental agencies. With the successes of his own businesses, and because of his commitment to a wide array of charitable causes, Mr. Taniguchi is one of the most well-respected businesspersons in Hawaii.

*Business experience and other public company and HEI affiliate directorships since 2009*

Chairman and CEO, KTA Super Stores (grocery store chain), since 1989

President, K. Taniguchi Ltd. (real estate lessor), since 1989

Director, ASB (HEI subsidiary) since 2002 and Audit Committee Chair

Director, 2001-11 and Audit Committee Chair, Hawaiian Electric (HEI subsidiary)

Director, Maui Electric Company, Limited (HEI and Hawaiian Electric subsidiary), 2006-09

Director, Hawaii Electric Light Company, Inc. (HEI and Hawaiian Electric subsidiary), 1997-2009

*Skills and qualifications for HEI Board service*

Current knowledge of and experience with the business community on the island of Hawaii, which is served by one of HEI's utility subsidiaries, Hawaii Electric Light Company, Inc., from his chief executive officer

positions for the last 24 years.

Accounting and auditing knowledge and experience gained from obtaining a public accounting certification and from his prior work as an auditor and as a controller.

Extensive corporate and nonprofit board and leadership experience, including from his current service on the board of Hawaii Community Foundation and from his role as a director and former Chair of the Hawaii Island Economic Development Board and the Chamber of Commerce of Hawaii.

## CONTINUING DIRECTORS

### Continuing Class I Directors whose terms expire at the 2015 Annual Meeting

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*Constance H. Lau*

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**Director 2001-04 and since 2006**

**Age 62**

**Executive Committee Member**

As HEI's President and CEO since 2006, Ms. Lau has extensive senior management experience and thorough knowledge of the Company's operations. Prior to becoming CEO, Ms. Lau served in various leadership capacities that have spanned several functions across HEI and its subsidiaries, including the legal, financial and executive management functions. Over her more than 29 years of service to HEI and its subsidiaries, Ms. Lau acquired significant experience and expertise with respect to the utility and banking industries. Further, having been exposed to virtually all aspects of HEI's operations at the holding company and at both operating subsidiaries, Ms. Lau brings a unique and comprehensive perspective to the Board. Ms. Lau's expertise and leadership stature have been recognized nationally, leading her to be named to the National Infrastructure Advisory Council, which she now chairs, by President Obama, the Community Depository Institutions Advisory Council of the Federal Reserve Bank of San Francisco. As a result, Ms. Lau brings to the Board a national perspective, as well as valuable insights regarding physical and cyber infrastructure security and monetary policy.

*Current and prior positions with the Company*

President and CEO and Director, HEI, since 2006

Chairman of the Board, Hawaiian Electric (HEI subsidiary), since 2006

Chairman of the Board, ASB (HEI subsidiary), since 2006 and Risk Committee Member since 2012

Chairman of the Board and CEO, ASB, 2008-10

Chairman of the Board, President and CEO, ASB, 2006-08

President and CEO and Director, ASB, 2001-06

Senior Executive Vice President and Chief Operating Officer and Director, ASB, 1999-2001

Treasurer, HEI, 1989-99

Financial Vice President and Treasurer, HEI Power Corp. (former HEI subsidiary), 1997-99

Treasurer, Hawaiian Electric, and Assistant Treasurer, HEI, 1987-89

Assistant Corporate Counsel, Hawaiian Electric, 1984-87

*Other public company directorships since 2009*

Director, Audit Committee Chair and Nominating and Corporate Governance Committee Member, Matson, Inc., since 2012

Director and Audit Committee Member, Alexander & Baldwin, Inc., 2004-12

*Skills and qualifications for HEI Board service*

Intimate understanding of the Company from serving in various chief executive, chief operating and other executive, finance and legal positions at HEI and its subsidiaries for more than 29 years.

Familiarity with current management and corporate governance practices from her current service as director, Audit Committee Chair and Nominating and Corporate Governance member for Matson, Inc. and as a director of AEGIS Insurance Services, Inc.

Experience with financial oversight and expansive knowledge of the Hawaii business community and the local communities that compose the Company's customer bases from serving as a director for various local industry, business development, educational and nonprofit organizations.

Utility and banking industry knowledge from serving as a director or task force member of the Hawaii Bankers Association, the American Bankers Association, the Edison Electric Institute and the Electric Power Research Institute and as a member of the federal Electricity Subsector Coordinating Council.

Nationally recognized leader in the fields of infrastructure, banking and energy, demonstrated by her appointment by President Obama to the National Infrastructure Advisory Council, which she now chairs, membership on the federal Electricity Subsector Coordinating Council, her appointment to the Federal Reserve Board of San Francisco's 12th District Community Depository Institutions Advisory Council and her receipt of the 2011 Woman of the Year award from the Women's Council on Energy and the Environment.

*A. Maurice Myers*

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**Director since 1991**

**Age 73**

**Compensation Committee Member**

Mr. Myers brings a wealth of knowledge and leadership skills to the Board. His extensive experience leading successful companies as chief executive officer, both in Hawaii and on the mainland, including several large public companies, provides the Board with significant management expertise. Having served on the Board for 23 years, Mr. Myers has gained in-depth knowledge of HEI and its operations. With this breadth and depth of experience, Mr. Myers is a valuable resource to management and other Board members and contributes substantially to the Board's capabilities in overseeing HEI's operations.

*Business experience and other public company and HEI affiliate directorships since 2009*

CEO and Owner, Myers Equipment Leasing LLC (equipment leasing company), since 2010

CEO and Director, POS Hawaii LLC (provider of point of sale business systems for restaurants and retailers), since 2009

CEO and Director, Wine Country Kitchens LLC (manufacturer of gourmet food products), since 2007

Chairman, CEO and President, Waste Management, Inc. (waste and environmental services provider), 1999-2004

Director since 2011 and Risk Committee Member since 2012, ASB (HEI subsidiary)

Director, Hawaiian Electric (HEI subsidiary), 2004-06 and 2009-11

*Skills and qualifications for HEI Board service*

20 years of public company executive and board leadership experience as Chairman, CEO and President of Waste Management, Inc., Chairman, CEO and President of Yellow Corporation, President of America West Airlines and CEO and President of Aloha Airgroup, Inc.

Practiced skills in risk assessment, strategic planning, financial oversight, customer and public relations and marketing exercised in leading successful restructuring efforts at Waste Management, Yellow Corporation and America West Airlines.

Diverse business experience and public and private company board experience, including from his prior service as a director and Compensation Committee chair for Tesoro Corporation and as a director for BIS Industries Limited and Cheap Tickets.

*James K. Scott, Ed.D.*

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**Director since 1995**

**Age 62**

**Nominating and Corporate Governance  
Committee Member**

Dr. Scott has considerable management experience as an executive leader in Hawaii. While Dr. Scott has earned the reputation of being one of the nation's leading education administrators, his unique value to the Company derives from his extensive knowledge, contacts and relationships within Hawaii's business community, nonprofit community and local governmental agencies. Dr. Scott's long participation on the Board has contributed significantly to the Board's understanding of Hawaii's unique cultural and business environment. With the success under his leadership of one of the country's most prominent college preparatory schools for two decades, and because of his commitment to a wide array of charitable and civic causes, Dr. Scott is a well-respected leader in the state of Hawaii.

*Business experience and other public company and HEI affiliate directorships since 2009*

President, Punahou School (K-12 independent school), since 1994

Director, ASB (HEI subsidiary), since 2008

*Skills and qualifications for HEI Board service*

Recognized leadership and executive management skills as President of Punahou School.

Nearly three decades of experience developing and executing strategic plans as the chief executive at two independent schools, including overseeing fundraising programs and admissions/marketing and finance functions.

Governance and board leadership experience from his current positions as director and former Chair of the Hawaii Association of Independent Schools, and member of the Advisory Board of the Klingenstein Center of Teachers College at Columbia University.



## **Continuing Class II Directors whose terms expire at the 2016 Annual Meeting**

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*Thomas B. Fargo*

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**Director since 2005**

**Age 65**

**Compensation Committee Chair**

**Nominating and Corporate Governance Committee Member**

Admiral Fargo brings invaluable leadership skills to the Board. Admiral Fargo's experience leading complex organizations, both in Hawaii and on the mainland, provides the Board with significant management expertise. Admiral Fargo has extensive knowledge of the U.S. military (a major customer of HEI's utility subsidiary and key driver of Hawaii's economy) having served as Commander of the U.S. Pacific Command from 2002-05. Admiral Fargo's leadership, strategic planning and risk assessment skills have proven to be a valuable resource to management and other Board members.

*Business experience and other public company and HEI affiliate directorships since 2009*

Chairman of the Board and Compensation and Governance Committee Member, Huntington Ingalls Industries (military shipbuilder), since 2011

Owner, Fargo Associates, LLC (defense and homeland/national security consultancy), since 2005

CEO, Hawaii Superferry, Inc. (interisland ferry), 2008-09

President, Trex Enterprises Corporation (defense research and development firm), 2005-08

Commander, U.S. Pacific Command, 2002-05

Director and Audit Committee Member, Matson, Inc., since 2012

Director, Alexander & Baldwin, Inc., 2011-12

Director, Northrop Grumman Corporation, 2008-11

Director, Hawaiian Holdings, Inc., 2005-08

Director, Hawaiian Electric (HEI subsidiary), since 2005

*Skills and qualifications for HEI Board service*

Extensive knowledge of the U.S. military, a major customer of HEI's electric utility subsidiary and key driver of Hawaii's economy.

Leadership, strategic planning and financial and nonfinancial risk assessment skills developed over 39 years of leading 9 organizations ranging in size from 130 to 300,000 people and managing budgets up to \$8 billion.

Experience with corporate governance, including audit, compensation and governance committees, from service on several public and private company boards.

***Kelvin H. Taketa***

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**Director since 1993**

**Age 59**

**Nominating and Corporate Governance  
Committee Chair**

Mr. Taketa has considerable management experience as an executive leader in Hawaii. Mr. Taketa is one of Hawaii's leading nonprofit administrators and has extensive relationships within Hawaii's business and nonprofit communities. Having served on the Board for over twenty years, Mr. Taketa has contributed significantly to the Board's understanding of Hawaii's distinctive cultural and business environment. Additionally, Mr. Taketa brings the unique ability to build bridges and connect people and organizations, which has made Mr. Taketa a well-respected leader throughout the state of Hawaii.

*Business experience and other public company and HEI affiliate directorships since 2009*

President and CEO, Hawaii Community Foundation (statewide charitable foundation), since 1998

Director, Hawaiian Electric (HEI subsidiary), since 2004

*Skills and qualifications for HEI Board service*

Executive management experience with responsibility for overseeing more than \$500 million in charitable assets as President and CEO of the Hawaii Community Foundation.

Proficiency in risk assessment, strategic planning and organizational leadership as well as marketing and public relations from his current position at the Hawaii Community Foundation and his prior experience as Vice President and Executive Director of the Asia/Pacific Region for The Nature Conservancy and as Founder, Managing Partner and Director of Sunrise Capital Inc.

Knowledge of corporate and nonprofit governance issues gained from his prior service as a director for Grove Farm Company, Inc., his current service on the boards of the Independent Sector and the Stupski Foundation, and through publishing articles and lecturing on governance of tax-exempt organizations.

*Jeffrey N. Watanabe*

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**Director since 1987**

**Age 71**

**Chairman of the Board since 2006**

**Executive Committee Chair**

**Compensation Committee Member**

Mr. Watanabe has been one of the most influential figures in Hawaii's business community over the past four decades. His strategic counsel is widely sought by Hawaii's business, political and nonprofit leaders, as well as by global businesses seeking to do business in Hawaii. Having served on the Board for over twenty-five years, Mr. Watanabe's in-depth knowledge of HEI significantly contributes to the Board's ability to oversee HEI's operations. As Chairman since 2006, Mr. Watanabe has successfully led HEI through his strategic vision, willingness to make tough decisions, strong consensus-building skills, and communication ability.

*Business experience and other public company and HEI affiliate directorships since 2009*

Managing Partner, Watanabe Ing & Komeiji LLP, 1972-2007 (now retired)

Lead Independent Director, Alexander & Baldwin, Inc. (A&B), since 2012, director since 2003 and Nominating & Corporate Governance Committee Member

Director, Nominating and Corporate Governance Committee Chair and Compensation Committee Member, Matson, Inc., since 2012

Director since 1988 and Executive Committee Member, ASB (HEI subsidiary)

Director, Hawaiian Electric (HEI subsidiary), 1999-2006 and 2008-11

*Skills and qualifications for HEI Board service*

Broad business, legal, corporate governance and leadership experience from serving as Managing Partner of the law firm he helped found, advising clients on a variety of business and legal matters for 35 years and from

serving on more than a dozen public and private company and nonprofit boards and committees, including his current service on the A&B Nominating and Corporate Governance Committee and the Matson Nominating and Corporate Governance and Compensation Committees.

Specific experience with strategic planning from providing strategic counsel to local business clients and prospective investors from the continental United States and the Asia Pacific region for 25 years of his law practice.

Recognized by a number of organizations for his accomplishments, including by the Financial Times-Outstanding Directors Exchange, which selected him as a 2013 Outstanding Director.

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## CORPORATE GOVERNANCE

### HEI's governance policies and guidelines

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In 2013, HEI's Board and management continued to review and monitor corporate governance trends and best practices to comply with the corporate governance requirements of the New York Stock Exchange (NYSE), rules and regulations of the Securities and Exchange Commission (SEC) and rules and regulations of the Board of Governors of the Federal Reserve (Federal Reserve) applicable to HEI as a savings and loan holding company. As part of an annual review, HEI's Audit Committee Charter, Corporate Governance Guidelines and the Compensation Committee Charter were revised as deemed appropriate by the Board. These documents, as most recently revised, as well as other governance documents (such as the charters for the Nominating and Corporate Governance and Executive Committees and the Corporate Code of Conduct), are available on HEI's website at [www.hei.com](http://www.hei.com).

### The Board's leadership structure

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Since 2006, Mr. Watanabe has served as the nonexecutive Chairman of the Board and Ms. Lau has served as HEI's President and CEO. Since that time, Ms. Lau has also been the only employee director on the Board.

Mr. Watanabe has served on the Board since 1987, but has never been employed by HEI or any HEI subsidiary. The Board has determined that he is independent. Among the many skills and qualifications that Mr. Watanabe brings to the Board, the Board considered: (i) his extensive experience in corporate and nonprofit governance from serving on other public company, private company and nonprofit boards; (ii) his reputation for effective consensus and relationship building and business and community leadership, including leadership of his former law firm; (iii) his willingness to spend time advising and mentoring members of HEI's senior management; and (iv) his dedication to committing the hard work and time necessary to successfully lead the Board.

As HEI's Chairman, Mr. Watanabe's key responsibilities are to:

lead Board and shareholder meetings and executive sessions of the independent directors, including executive sessions at which the performance of the Chief Executive Officer is evaluated by the Board;

attend all meetings of the Audit, Compensation and Nominating and Corporate Governance Committees of the Board as an observer and the Executive Committee of the Board as its chair. Since May 2011, Mr. Watanabe attends meetings of the Compensation Committee as a member;

serve on and/or advise the boards of HEI's primary operating subsidiaries, Hawaiian Electric Company and American Savings Bank, chair joint executive sessions of the independent directors of HEI and these subsidiary boards and attend meetings of subsidiary board committees;

work closely with management to develop meeting agendas and materials for the Board and subsidiary boards;

be available to other Board and subsidiary board members and management for questions and consultation; and

ensure and facilitate communications among Board members and Board committees and between the Board and management.

The Board's Corporate Governance Guidelines provide that if the Chairman and CEO positions are held by the same person, or if the Board determines that the Chairman is not independent, the independent directors should designate an independent director to serve as "Lead Director." If a Lead Director is designated, the Lead Director's responsibilities are to: (i) preside at Board and shareholder meetings when the Chairman is not present, (ii) preside at executive sessions of the independent directors, (iii) facilitate communication between the independent directors and the Chairman or the Board as a whole, (iv) call meetings of the non-management or independent

directors in executive session, (v) participate in approving meeting agendas, schedules and materials for the Board and (vi) perform other functions described in the Corporate Governance Guidelines or as determined by the Board from time to time.

The Board believes that its current leadership structure, which provides for an independent nonemployee Chairman, or an independent Lead Director if the Chairman is not independent, is appropriate and effective in light of HEI's current operations, strategic plans and overall corporate governance structure. Several reasons support this conclusion. First, the Board believes that having an independent Chairman or Lead Director has been important in establishing a tone at the top for both the Board and the Company that encourages constructive expression of views that may differ from those of senior management. Second, the Board believes that the presence of an independent Chairman or Lead Director, particularly at this time of increased government and investor scrutiny of public and financial company boards, demonstrates to the Company's regulators and shareholders that the Board is committed to serving the best interests of the Company and its shareholders and not the best interests of management. Third, the Board recognizes that HEI has an uncommon corporate governance structure in that the boards of its two primary operating subsidiaries are also composed mostly of nonemployee directors and that the HEI Chairman plays an important leadership role at these subsidiary boards. For instance, in addition to chairing executive sessions of the nonemployee directors and attending meetings of the committees of these subsidiary boards, the Chairman leads each subsidiary board in conducting its annual performance self-evaluation and facilitates communications between each of these boards and management of the respective subsidiary company as well as among members of each subsidiary board.

## The Board's role in risk oversight

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HEI is a holding company that operates principally through its electric public utility and bank subsidiaries. At the holding company and subsidiary levels, the Company faces a variety of risks, including operational risks, regulatory and legal compliance risks, credit and interest rate risks, competitive risks, liquidity risks and strategic and reputational risks. Developing and implementing strategies to manage these risks is the responsibility of management, and that responsibility is carried out by assignments of responsibility to various officers and other employees of the Company under the direction of HEI's Chief Financial Officer, who also serves as HEI's chief risk officer. The role of the Board is to oversee the management of these risks.

The Board's specific risk oversight functions are as follows:

The Board has approved a consolidated enterprise risk management (ERM) system recommended by management. The system is designed to identify and assess risks across the HEI enterprise so that information regarding the Company's risks can be reported to the Board, along with proposed strategies for mitigating these risks. The structure of the ERM system is decentralized, with separate chief risk officers at each of Hawaiian Electric Company and American Savings Bank. The chief risk officer of Hawaiian Electric Company is also responsible for identifying, assessing and reporting risks at HEI's other electric utility subsidiaries that operate on the neighbor islands of Hawaii, Maui, Molokai and Lanai. Each subsidiary chief risk officer reports directly to the respective subsidiary President and functionally to HEI's chief risk officer, who reviews such risks on a consolidated basis. The Board believes that this decentralized risk management structure is appropriate and effective for the Company's diverse operations and holding company structure, because it allows for industry-specific risk identification and management at the subsidiary levels while also ensuring an integrated and consolidated view of risk at the holding company level by HEI's chief risk officer. In connection with approving this ERM system, the Board reviewed a catalog of risks and management's assessment of those risks reported by HEI's chief risk officer. As part of the Board's ongoing risk oversight, HEI's chief risk officer is responsible for providing regular reports to the Board and Audit Committee on the status of those risks, any changes to the risk catalog or management's assessment of those risks, and any other risk management matters that the Board may request from time to time. The Board and Audit Committee also receive reports from HEI's internal auditor evaluating the effectiveness of management's implementation of the approved ERM system.



The Board has assigned to the Compensation Committee the specific risk oversight responsibility of reviewing whether the Company's compensation policies or practices encourage employees to take risks that are reasonably likely to have a material adverse effect on the Company and of recommending new or revised policies and practices to address any such risks identified. Included in this oversight responsibility is the Compensation Committee's review and evaluation of American Savings Bank's compensation practices for compliance with regulatory guidance on sound incentive compensation plans. The Compensation Committee reports the results of its review and any recommendations to the Board. The results of the Compensation Committee's review are also communicated to the Audit Committee through HEI's chief risk officer. Both the Audit and Compensation Committees are composed entirely of independent directors.

The Board has assigned to the Audit Committee the specific risk oversight responsibilities of (i) reviewing the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, (ii) overseeing HEI's Code of Conduct compliance program and (iii) establishing procedures for direct reporting of potential accounting and auditing issues to the Audit Committee. The Audit Committee reports to the Board each quarter regarding these matters.

The Board has also assigned to the Audit Committee the responsibility of assisting the Board in overseeing the overall risk management strategy of the Company. In order to assist the Board with overall risk oversight, the Audit Committee is specifically required to discuss policies with respect to risk assessment and risk management, including the guidelines and policies governing the process by which risk assessment and risk management are undertaken at the Company, and to report to the Board the committee's discussion and findings so that the entire Board can consider changes in the Company's risk profile.

In addition to overall risk oversight by the HEI Board, the boards of HEI's primary operating subsidiaries, Hawaiian Electric Company and American Savings Bank, are specifically responsible for overseeing risks at their respective companies. The Hawaiian Electric Company Board has assigned responsibility for ongoing oversight of risk management to its Audit Committee and the American Savings Bank Board has assigned such responsibility to its Risk Committee. Under the decentralized ERM structure discussed above, risk management activities at the subsidiary level are reported to these committees and to the subsidiary boards through the subsidiary chief risk officers. The HEI Board and/or Audit Committee may also be invited to participate in risk oversight discussions by these subsidiary boards and/or committees. The information from these subsidiary board and committee sessions are also reported, on at least a quarterly basis, to the HEI Board by the subsidiary chief risk officers (or their representatives), who functionally report to HEI's chief risk officer on risk management matters. These subsidiary boards are composed mostly of nonemployee directors. The subsidiary audit committees are composed entirely of nonemployee directors who meet the independence requirements for audit committee members of companies listed on the NYSE.

At least annually, the Board conducts a strategic planning and risk review. As part of this review, the Board reviews fundamental financial and business strategies and assesses the major risks facing the Company and options to mitigate those risks. To facilitate strategic planning through constructive dialogue among management and Board members, members of management who are not directors may be invited to participate in the review. Based on the review, the Board and senior management, including the HEI chief risk officer, identify key issues to be addressed during the course of the next calendar year.