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 ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

Hawaiian Electric Industries, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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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

Date and Time	Wednesday, May 7, 2014, at 9:30 a.m., Honolulu time.
Place	American Savings Bank Tower, 1001 Bishop Street, 8th floor, Room 805, Honolulu, Hawaii 96813.
Items of Business	1. Election of three Class III directors for a three-year term expiring at the 2017 Annual Meeting of Shareholders. 2. Advisory vote to approve HEI's executive compensation. 3. Approval of the 2010 Equity and Incentive Plan as amended and restated. 4. Ratification of the appointment of PricewaterhouseCoopers LLP as HEI's independent registered public accounting firm for 2014.
Record Date	February 27, 2014.
Annual Report	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.
Proxy Voting	Shareholders of record may appoint proxies and vote their shares in one of four ways: Via the Internet By telephone By mail In person 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. Any proxy may be revoked in the manner described in the accompanying Proxy Statement.
Attendance at Meeting	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	&zwsp;	Board Vote Recommendation	&zwsp;	Page	&zwsp;
	1. Election of Directors		FOR Each Nominee		5	
&zwsp;	2. Advisory Vote to Approve Executive Compensation	&zwsp;	FOR	&zwsp;	25	&zwsp;
	3. Approval of the 2010 Equity and Incentive Plan as amended and restated		FOR		61	
&zwsp;	4. Ratification of Appointment of Independent Auditor for 2014	&zwsp;	FOR	&zwsp;	76	&zwsp;

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.

		&zwsp;		&zwsp;		&zwsp;		&zwsp;		&zwsp;		&zwsp;		&zws
	Peggy Y. Fowler		62		2011		Chairman, Umpqua Holdings Corp. Former President & CEO, Portland General Electric				AC		1	
wsp;	Keith P. Russell	&zwsp;	68	&zwsp;	2011	&zwsp;	President, Russell	&zwsp;			AC	&zwsp;	1	&zws

			Financial	
Barry K. Taniguchi	66	2004	President & CEO, KTA Super Stores	AC (Chair)

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.

				&zwsp;				&zwsp;				&zwsp;
	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.

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.

		&zwsp;								**&zwsp;**
		&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;

<u>BUSINESS ACCOMPLISHMENTS</u>

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 (EEI) 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

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

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

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

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

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*). 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

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

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

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

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.

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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

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

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

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

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

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

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

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

Peggy Y. Fowler

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

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

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.

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CONTINUING DIRECTORS

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

Constance H. Lau

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

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.

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

Thomas B. Fargo

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

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

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.

CORPORATE GOVERNANCE

HEI's governance policies and guidelines

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*.

The Board's leadership structure

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

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.

The Board believes that risk oversight is one of the areas in which having an independent Chairman or Lead Director is especially important in order to ensure that views that may differ from those of management are expressed. Since the HEI Chairman attends the meetings of the Board, the subsidiary boards and their respective committees, the HEI Chairman is also in a unique position to assist with communications regarding risk oversight and risk management among the Board and its committees, between the subsidiary boards and their respective committees and between directors and management.

Selection of nominees for the Board

The Board believes that there are skill sets and qualities and attributes that should be represented on the Board as a whole but do not necessarily need to be possessed by each director. The Nominating and Corporate Governance Committee and the Board, thus, consider the qualifications and attributes of incumbent directors and director candidates not only individually but also in the aggregate with all directors and in light of the current and future needs of HEI and its subsidiaries.

The Nominating and Corporate Governance Committee assists the Board in identifying and evaluating persons for nomination or re-nomination for Board service. To identify qualified candidates for HEI Board membership, the committee may consider persons who are serving on its subsidiary boards as well as persons suggested by Board members, management and shareholders or may retain a third-party search firm to help identify qualified candidates. The committee's evaluation process does not vary based on whether a candidate is recommended by a shareholder, a Board member or a member of management.

Once a person is identified as a potential director candidate, the committee may review publicly available information to assess whether the candidate should be further considered. If so, a committee member or designated representative for the committee will contact the person. If the person is willing to be considered for nomination, the person is asked to provide additional information regarding his or her background, his or her specific skills, experience and qualifications for Board service, and any direct or indirect relationships with the Company. In addition, one or more interviews may be conducted with committee and Board members and committee members may contact one or more references provided by the candidate or others who would have first-hand knowledge of the candidate's qualifications and attributes.

In evaluating the qualifications and attributes of each potential candidate (including incumbent directors) for nomination or re-nomination, the committee considers:

the candidate's qualifications, consisting of his/her knowledge (including relevant industry knowledge), understanding of the Company's businesses, experience, skills, substantive areas of expertise, financial literacy, innovative thinking, business judgment, achievements and other factors required to be considered under applicable laws, rules or regulations;

the candidate's attributes, comprising independence, personal and professional integrity, character, reputation, ability to represent the interests of all shareholders, time availability in light of other commitments, dedication, absence of conflicts of interest, diversity, appreciation of multiple cultures, commitment to deal responsibly with social issues and other stakeholder concerns and other factors that the committee considers appropriate in the context of the needs of the Board;

familiarity with and respect for corporate governance requirements and practices;

with respect to incumbent directors, the self-evaluation of the individual director, his or her current qualifications and his or her contributions to the Board;

the current composition of the Board and its committees; and

intangible qualities of the candidate including the ability to ask difficult questions and, simultaneously, to work collegially with members of the Board, as well as to work effectively with management.

The Board considers the recommendations of the Nominating and Corporate Governance Committee and then makes the final decision whether to re- nominate incumbent directors and whether to approve and extend an invitation to a candidate to join the Board upon appointment or election, subject to any approvals required by law, rule or regulation.

Diversity in identifying nominees for the Board

In assisting the Board to identify qualified director candidates, the Nominating and Corporate Governance Committee considers whether the candidate would contribute to the expertise, skills and professional experience, as well as to the diversity of the Board in terms of race, ethnicity, gender, age and cultural background. The Board believes it functions most effectively with members who collectively possess a range of substantive expertise, skills and experience in areas that are relevant to leading HEI in accordance with the Board's fiduciary responsibilities. The Board also believes that having a board composed of members who can collectively contribute a range of perspectives, including perspectives that may arise from a person's gender or ethnicity, improves the quality of the Board's deliberations and decisions because it enables the Board to view issues from a variety of angles and, thus, more thoroughly and completely. As the Company's operations and strategic plans and the Board's composition may evolve over time, the Nominating and Corporate Governance Committee is charged with identifying and assessing the appropriate mix of knowledge areas, qualifications and personal attributes contributed by Board members that will bring the most strategic and decision-making advantages to HEI.

With operations almost exclusively in the state of Hawaii, it is natural and advantageous that our Board be composed largely of members who live and work in the state and have firsthand knowledge of and experience with our customer base and political and regulatory environment. Since a large pool of potential candidates for Board membership come from this state, the Board benefits from the unique racial diversity that exists in Hawaii. If the shareholders vote to elect the three director nominees proposed by the Board for election at the Annual Meeting, the resulting composition of the Board would be as follows: four directors (or 44.4%) who are Caucasian, four directors (or 44.4%) who are Asian American and one director (or 11.1%) who is Caucasian, Asian American and native Hawaiian. Two (or 22.2%) of the nine directors are female.

The Board also recognizes that, due to Hawaii's geographic isolation from the continental United States and the comparatively small number of publicly-traded companies, banks and regulated utilities based in Hawaii, the Board also benefits from having among its members directors who have gained business experience at companies located in other states because those Board members contribute valuable information about experiences they have had working at or serving on the boards of other public companies and companies in similar industries, which also contributes to the breadth of perspectives on the Board.

Director resignation policies

Through its Corporate Governance Guidelines, the Board requires its members to submit a letter of resignation for consideration by the Board in certain circumstances. A director must tender his or her resignation in the event of a significant change in the director's principal employment and at the end of the term during which the director reaches age 72. Requiring a director to submit a letter of resignation in these two circumstances provides a built-in mechanism for the Board to examine whether a director's skills, expertise and attributes continue to provide value.

A director must also submit his or her resignation for consideration by the Board if the director is elected under the plurality vote standard (described on page 4) but does not receive the support of the majority of votes cast. In such an event, the Board will evaluate the reasons for the vote result and determine how best to address the shareholder concerns underlying that result. In some cases, the Board may decide that the best approach is to accept the director's resignation. In other cases, the Board may discover that a shareholder concern unrelated to the specific director was the cause of the vote outcome and may take other action to address that issue.

The Board's role in management succession planning

The Board, led by its Nominating and Corporate Governance Committee, is actively engaged in succession planning and talent development, with a focus on the CEO and senior management of HEI and its operating subsidiaries. The Board and the committee consider talent development programs and succession candidates through the lens of Company strategy and anticipated future opportunities and challenges. At each of its meetings throughout the year, the committee reviews progress of talent development and succession programs and discusses internal and, where appropriate, external succession candidates, including their capabilities, accomplishments, goals and development plans. The full Board also reviews and discusses talent strategy and evaluations of potential succession candidates annually at a regularly scheduled Board meeting. In addition, high potential leaders are given frequent exposure to the Board through formal presentations and informal events. These reviews, presentations and other interactions familiarize the Board with the Company's talent pool to enable the Board to select successors for the HEI CEO and for other senior executives when appropriate.

Shareholder communication with the directors

Interested parties, including shareholders, desiring to communicate with the Board, any individual director or the independent directors as a group regarding matters pertaining to the business or operations of HEI may address their correspondence in care of the Corporate Secretary, Hawaiian Electric Industries, Inc., P.O. Box 730, Honolulu, HI 96808-0730. The HEI Corporate Secretary may review, sort and summarize all such correspondence in order to facilitate communications to the Board. In addition, the HEI Corporate Secretary has the authority and discretion to handle any director communication that is an ordinary course of business matter including routine questions, complaints, comments and related communications that can appropriately be handled by management. Directors may at any time request copies of all correspondence addressed to them. The charter of the HEI Audit Committee, which is available for review at *www.hei.com*, sets forth procedures for submitting complaints or concerns regarding financial statement disclosures, accounting, internal accounting controls or auditing matters on a confidential, anonymous basis.

BOARD OF DIRECTORS

Independent directors

Under HEI's Corporate Governance Guidelines, a majority of Board members must qualify as independent under the listing standards of the NYSE and any additional requirements as determined by the Board from time to time.

For a director to be considered independent under NYSE listing standards, the Board must determine that the director does not have any direct or indirect material relationship with HEI or its subsidiaries apart from his or her service as a director. The NYSE listing standards also specify circumstances under which a director may not be considered independent, such as when the director has been an employee of the Company within the last three fiscal years, if the director has had certain relationships with the Company's external or internal auditor within the last three fiscal years or when the Company has made or received payments for goods or services to entities with which the director or an immediate family member of the director has specified affiliations and the aggregate amount of such payments in any year within the last three fiscal years exceeds the greater of $1 million or 2% of such entity's consolidated gross revenues for the fiscal year.

The Board has also adopted Categorical Standards for Director Independence (HEI Categorical Standards), which are available for review on HEI's website at *www.hei.com*. The HEI Categorical Standards specify circumstances under which a director may not be considered independent. In addition to the circumstances that would preclude independence under the NYSE listing standards, the HEI Categorical Standards provide that a director is not independent if HEI and its subsidiaries have made charitable contributions to a nonprofit organization for which the director serves as an executive officer and the aggregate amount of such contributions in any single fiscal year of the nonprofit organization within the last three fiscal years exceeds the greater of $1 million or 2% of such organization's consolidated gross revenues for the fiscal year.

The Nominating and Corporate Governance Committee and the Board considered the relationships described below in assessing the independence of Board members. Based on its consideration of such relationships and the recommendations of the Nominating and Corporate Governance Committee, the Board determined that all of the nonemployee directors and director nominees of HEI (Messrs. Fargo, Myers, Russell, Scott, Taketa, Taniguchi and Watanabe and Ms. Fowler) are independent. The remaining director, Ms. Lau, is an employee director of HEI and therefore is not independent.

Relationships considered in determining director independence:

With respect to Messrs. Scott, Taketa and Taniguchi, the Board considered amounts paid in the last three fiscal years to purchase electricity from HEI subsidiaries, Hawaiian Electric Company or Hawaii Electric Light Company (the sole public utilities providing electricity to the islands of Oahu and Hawaii, respectively), by entities employing these directors. None of the amounts paid by these entities for electricity (excluding pass-through charges for fuel and for Hawaii state revenue taxes) exceeded the thresholds in the NYSE listing standards or HEI Categorical Standards that would automatically result in a director not being independent. Since Hawaiian Electric Company and Hawaii Electric Light Company are the sole source of electric power on the islands of Oahu and Hawaii, the rates they charge for electricity are fixed by state regulatory authority and purchasers of electricity from these public utilities have no choice as to supplier and no ability to negotiate rates or other terms, the Board determined that these relationships do not impair the independence of these directors.

With respect to Messrs. Scott and Taketa, the Board considered charitable contributions in the last three fiscal years from HEI and its subsidiaries to nonprofit organizations where these directors serve as executive officers. None of the contributions exceeded the threshold in the HEI Categorical Standards that would automatically result in a director not being independent. In determining that these donations did not impair the independence of these directors, the Board also considered the fact that Company policy requires that charitable contributions from HEI or its subsidiaries to entities where an HEI director serves as an executive officer, and where the director has a direct

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or indirect material interest, and the aggregate amount donated by HEI and its subsidiaries to such organization would exceed $120,000 in any single fiscal year, be preapproved by the Nominating and Corporate Governance Committee.

With respect to Mr. Taketa, the Board considered modest fees paid during the last three fiscal years to the charitable foundation for which he serves as an executive officer for management of scholarship and nonprofit grant programs and concluded that such fees did not affect Mr. Taketa's independence. None of the fees paid within the last three fiscal years exceeded the threshold in the NYSE listing standards or HEI Categorical Standards that would automatically result in a director not being independent.

With respect to Messrs. Fargo, Myers, Scott, Taniguchi and Watanabe, the Board considered other director or officer positions held by those directors at entities for which an HEI executive officer serves as a director or trustee and determined that none of these relationships affected the independence of these directors. None of these relationships resulted in a compensation committee interlock or would automatically preclude independence under the NYSE listing standards or HEI Categorical Standards.

Board meetings in 2013

In 2013, there were seven regular meetings and three special meetings of the Board. All directors attended more than 85% of the combined total number of meetings of the Board and Board committees on which they served.

Executive sessions of the Board

The nonemployee directors meet regularly in executive sessions without management present. In 2013, these sessions were chaired by Mr. Watanabe, who is the Chairman of the Board and an independent nonemployee director. Mr. Watanabe may request from time to time that other nonemployee directors chair the executive sessions.

Board attendance at annual meetings

All of HEI's nine directors attended the 2013 Annual Meeting of Shareholders. HEI encourages all directors to attend each year's Annual Meeting of Shareholders.

Board evaluations

The Board conducts annual evaluations to determine whether it and its committees are functioning effectively. As part of the evaluation process, each member of the Audit, Compensation and Nominating and Corporate Governance Committees annually evaluates the performance of each committee on which he or she serves.

Each director up for reelection also evaluates his or her own performance. The nonemployee directors also periodically complete peer evaluations of the other nonemployee directors. The evaluation process is overseen by the Nominating and Corporate Governance Committee, in consultation with the Chairman.

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COMMITTEES OF THE BOARD

Board committee composition and meetings

The Board has four standing committees: Audit, Compensation, Executive and Nominating and Corporate Governance. Members of these committees are appointed annually by the Board, taking into consideration the recommendations of the Nominating and Corporate Governance Committee. The table below shows committee members during 2013 and the number of meetings each committee held in 2013.

Name	**Audit**	**Compensation**	**Executive**	**Nominating and Corporate Governance**
Thomas B. Fargo		Chair		Member
Peggy Y. Fowler	Member			
Constance H. Lau1			Member	
A. Maurice Myers		Member		
Keith P. Russell	Member			
James K. Scott				Member
Kelvin H. Taketa				Chair
Barry K. Taniguchi	Chair		Member	
Jeffrey N. Watanabe		Member	Chair	
Number of meetings in 2013	**8**	**5**	**0**	**3**

1

Ms. Lau is an employee director. All other directors have been determined to be independent. See "Board of Directors Independent Directors" above.

Functions of the Board's standing committees

The primary functions of HEI's standing committees are described below. Each committee operates and acts under written charters that are approved by the Board and available for review on HEI's website at www.hei.com. Each of the Audit, Compensation and Nominating and Corporate Governance Committees may form subcommittees of its members and delegate authority to its subcommittees.

Audit Committee

The Audit Committee is responsible for overseeing (i) HEI's financial reporting processes and internal controls, (ii) the performance of HEI's internal auditor, (iii) risk assessment and risk management policies set by management and (iv) the Corporate Code of Conduct compliance program for HEI and its subsidiaries. In addition, this committee is directly responsible for the appointment, compensation and oversight of the independent registered public accounting firm that audits HEI's consolidated financial statements. The Audit Committee also maintains procedures for receiving and reviewing confidential reports of potential accounting and auditing concerns. See "Audit Committee Report" below for additional information about the Audit Committee.

All Audit Committee members are independent and qualified to serve on the committee pursuant to NYSE and SEC requirements and the Audit Committee meets the other applicable requirements of the Securities Exchange Act of 1934. None of the Audit Committee members serve on the audit committees of more than two other public companies.

Compensation Committee

The responsibilities of the Compensation Committee include (i) overseeing the compensation plans and programs for employees, executives and nonemployee directors of HEI and its subsidiaries, including equity and incentive plans; (ii) reviewing the extent to which risks that may arise from the Company's compensation policies and practices, if any, may have a material adverse effect on the

Company and recommending changes to address any such risks; (iii) evaluating the compliance of American Savings Bank's incentive compensation practices under the principles for sound incentive compensation plans for banking organizations and (iv) assessing the independence of any compensation consultant involved in determining or recommending director or executive compensation. See "Compensation Discussion and Analysis How We Make Compensation Decisions" and "Compensation Committee Interlocks and Insider Participation" below for additional information about the Compensation Committee.

All Compensation Committee members are independent and qualified to serve on this committee pursuant to NYSE requirements and also qualify as "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code and as "nonemployee directors" as defined in Rule 16b-3 promulgated under the Securities Exchange Act of 1934. An independent member of the board of directors of each of Hawaiian Electric Company and American Savings Bank attends meetings of the Compensation Committee as a nonvoting representative of such director's subsidiary board.

Executive Committee

The Executive Committee may exercise the power and authority of the Board when it appears to its members that action is necessary and a meeting of the full Board is impractical. It may also consider other matters concerning HEI that may arise from time to time between Board meetings. The committee is currently composed of the Chairman of the Board, who chairs the committee, the Audit Committee Chairperson and the HEI President and CEO.

Nominating and Corporate Governance Committee

The functions of the Nominating and Corporate Governance Committee include (i) evaluating the background and qualifications of potential nominees for the Board and for the boards of HEI's subsidiaries, (ii) recommending to the Board the director nominees to be submitted to shareholders for election at the next Annual Meeting, (iii) assessing the independence of directors and nominees, (iv) recommending the slate of executive officers to be appointed by the Board and subsidiary boards, (v) advising the Board with respect to matters of Board and committee composition and procedures, (vi) overseeing the annual evaluation of the Board and individual directors, (vii) overseeing talent development and succession planning for senior executive positions and (viii) making recommendations to the Board and the boards of HEI's subsidiaries regarding corporate governance and board succession planning matters. See "Corporate Governance" above for additional information regarding the activities of the Nominating and Corporate Governance Committee.

DIRECTOR COMPENSATION

How director compensation is determined

The Board believes that a competitive compensation package is necessary to attract and retain individuals with the experience, skills and qualifications needed for the challenging role of serving as a director of a publicly traded company with a unique blend of highly regulated industries. Nonemployee director compensation is composed of a mix of cash and HEI Common Stock to align the interests of directors with those of HEI shareholders. Only nonemployee directors are compensated for their service as directors. Ms. Lau, the only employee director of HEI, does not receive separate or additional compensation for serving as a director. Although Ms. Lau is a member of the HEI Board, neither she nor any other executive officer participates in the determination of nonemployee director compensation.

The Compensation Committee reviews nonemployee director compensation no less frequently than once every three years and recommends changes to the Board. In 2012, the committee asked its independent compensation consultant, Frederic W. Cook & Co. Inc. (Fred Cook & Co.), to conduct an evaluation of HEI's nonemployee director compensation practices. Fred Cook & Co. assessed the structure of HEI's nonemployee director compensation program and its value compared to competitive market practices of peer companies, similar to the assessments used in its executive compensation review, which is described under "Compensation Discussion and Analysis We Use Comparative Market Data as a Reference Point for Compensation" below. The Compensation Committee determined that the analysis affirmed the appropriateness of its nonemployee director compensation and decided to maintain 2013 director compensation at the same level as in 2012.

Components of director compensation

Cash retainer. HEI nonemployee directors received the cash amounts shown below as retainer for their 2013 HEI Board service and for their 2013 service on HEI and subsidiary board committees. No separate fees are paid to HEI directors for service on subsidiary company boards. Cash retainers were paid in quarterly installments.

Position	**2013 Retainer**
HEI Nonexecutive Chairman of the Board	$250,000
HEI Director	65,000
HEI Audit Committee Chair	15,000
HEI Compensation Committee Chair	15,000
HEI Nominating and Corporate Governance Committee Chair	10,000
HEI Audit Committee Member	6,000
HEI Compensation Committee Member	6,000
HEI Nominating and Corporate Governance Committee Member	4,000
Hawaiian Electric Company Audit Committee Chair	10,000
Hawaiian Electric Company Audit Committee Member	4,000
American Savings Bank Audit Committee Chair	10,000
American Savings Bank Audit Committee Member	4,000
American Savings Bank Risk Committee Chair	10,000
American Savings Bank Risk Committee Member	4,000

Extra meeting fees. For 2013, nonemployee directors were also entitled to meeting fees for each committee meeting attended (as member or chair) after the number of meetings specified below.

HEI Audit Committee	$1,500 per meeting after 6 meetings
HEI Compensation Committee	$1,500 per meeting after 6 meetings
HEI Nominating and Corporate Governance Committee	$1,500 per meeting after 6 meetings
American Savings Bank Audit Committee	$1,000 per meeting after 8 meetings
Hawaiian Electric Company Audit Committee	$750 per meeting after 8 meetings

Stock awards. On June 28, 2013, each HEI nonemployee director received shares of HEI Common Stock with a value equal to $75,000 as an annual grant under HEI's 2011 Nonemployee Director Stock Plan (2011 Director Plan), which was approved by HEI shareholders on May 10, 2011, for the purpose of further aligning directors' and shareholders' interests. The number of shares issued to each HEI nonemployee director was determined based on the closing sales price of HEI Common Stock on the NYSE on June 28, 2013. Stock grants to nonemployee directors under the 2011 Director Plan are made annually on the last business day in June.

Retirement benefit. HEI's Nonemployee Director Retirement Plan, which provided retirement benefits to nonemployee directors, was terminated in 1996. Directors who were retired from their primary occupation at that time remained eligible to receive benefits under the plan based on years of service as a director at the time of the plan's termination. Mr. Myers is the only current director still eligible to receive benefits under the terminated plan. Upon his retirement from service as a director, Mr. Myers is eligible to receive retirement benefits in an annual total of $15,000, for a period equal to the number of years of his service through December 31, 1996 (6 years). All benefits payable under the plan cease upon the death of the nonemployee director.

Deferred compensation. Nonemployee directors may participate in the HEI Deferred Compensation Plan implemented in 2011 (2011 Deferred Compensation Plan) and described under "Compensation Discussion and Analysis Benefits Deferred Compensation Plans" below. Under the plan, deferred amounts are credited with gains/losses of deemed investments chosen by the participant from a list of publicly traded mutual funds and other investment offerings. Earnings are not above-market or preferential. Participants may elect the timing upon which distributions are to begin following disability, death or separation from service (including retirement) and may choose to receive such distributions in a lump sum or in installments over a period of up to fifteen years. Mr. Taketa participated in this plan in 2013.

Nonemployee directors are also eligible to participate in the HEI Nonemployee Directors' Deferred Compensation Plan, as amended January 1, 2009, although no nonemployee director participated in such plan in 2013.

Health benefits. Nonemployee directors may participate, at their election and at their cost, in the group employee medical, vision and dental plans generally made available to HEI, Hawaiian Electric Company or American Savings Bank employees. No nonemployee director currently participates in such plans.

2013 DIRECTOR COMPENSATION TABLE

The table below shows the compensation paid to HEI nonemployee directors in 2013.

Name	Fees Earned or Paid in Cash ($)3	Stock Awards ($)4	Change in Pension Value & Nonqualified Deferred Compensation Earnings ($)5	Total ($)
Thomas B. Fargo	84,000	75,000		159,000
Peggy Y. Fowler	75,000	75,000		150,000
A. Maurice Myers	75,000	75,000		155,650
Keith P. Russell	85,000	75,000		160,000
James K. Scott	69,000	75,000		144,000
Kelvin H. Taketa1	75,000	75,000		150,000
Barry K. Taniguchi	90,000	75,000		165,000
Jeffrey N. Watanabe, Chairman2	321,000	75,000		396,000

1

In 2013, Mr. Taketa elected to defer 80%, or $60,000, of his fees under the 2011 Deferred Compensation Plan. Mr. Taketa did not have above-market or preferential earnings on nonqualified deferred compensation in 2013.

2

Mr. Watanabe's fees were for service as director and Chairman of the HEI Board and as a member of the Compensation Committee. He also served on the HEI Executive Committee and the American Savings Bank Board and Executive Committee. As explained above, HEI directors do not receive additional compensation for service on the boards of HEI's subsidiaries but do receive fees for service on subsidiary committees. Mr. Watanabe's responsibilities are described above under "Corporate Governance The Board's leadership structure."

3

See detail of cash retainers for Board and committee service below.

4

As discussed above under "Components of director compensation," HEI nonemployee directors received shares of HEI Common Stock valued at $75,000 as the annual grant to HEI directors under the HEI 2011 Nonemployee Director Stock Plan.

5

As discussed above under "Components of director compensation," pension benefits for Mr. Myers were frozen in 1996, when the HEI Nonemployee Director Retirement Plan was terminated. Accordingly, he does not receive credit for service after 1996 under that plan. Change in pension value reflects actuarial assumptions, such as discount rate. Mr. Myers' change in pension value was negative (-$2,426) in 2013.

The table below shows cash retainers paid to HEI nonemployee directors for Board and committee service (including subsidiary committee service) in 2013.

Name	HEI Board Retainer ($)	HEI Committee Retainer ($)	HEI Chairman Retainer ($)	HECO Audit Committee Retainer ($)	ASB Audit Committee Retainer ($)	ASB Risk Committee Retainer ($)	Total ($)
Thomas B. Fargo	65,000	19,000					84,000
Peggy Y. Fowler	65,000	6,000		4,000			75,000
A. Maurice Myers	65,000	6,000				4,000	75,000
Keith P. Russell	65,000	6,000			4,000	10,000	85,000
James K. Scott	65,000	4,000					69,000
Kelvin H. Taketa	65,000	10,000					75,000
Barry K. Taniguchi	65,000	15,000			10,000		90,000
Jeffrey N. Watanabe, HEI Chairman	65,000	6,000	250,000				321,000

Director stock ownership and retention

HEI directors are required to own and retain HEI stock throughout their service with the Company. Each director has until January 1 of the year following the fifth anniversary of the later of (i) amendment to his or her required level of stock ownership or (ii) first becoming subject to the requirements (compliance date) to reach the following ownership levels: Chairman of the Board 2x annual cash retainer, other HEI directors 5x annual cash retainer. As of January 1, 2014, each director who had reached his or her compliance date had achieved his or her stock ownership target.

Until reaching the applicable stock ownership target, directors must retain all shares received under their annual stock retainer. The Committee has the authority to approve hardship exceptions to these retention requirements.

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PROPOSAL NO. 2: ADVISORY VOTE TO APPROVE HEI'S EXECUTIVE COMPENSATION

We are asking for your advisory vote on the compensation of our named executive officers as described in this Proxy Statement. This proposal, commonly known as a "say-on-pay" proposal, gives shareholders the opportunity to express their views on the overall compensation of our named executive officers and the compensation philosophy, policies and practices described in this Proxy Statement.

The Compensation Committee and Board believe that HEI's executive compensation program is effective in achieving our goals of promoting long-term value for shareholders and attracting, motivating and retaining the talent necessary to create such value. Accordingly, the Board recommends that you vote FOR the following resolution:

> *Resolved, that the shareholders approve, in an advisory vote, the compensation of HEI's named executive officers as disclosed in the Compensation Discussion and Analysis and Executive Compensation Tables sections of the Proxy Statement for the 2014 Annual Meeting of Shareholders.*

Please read the Compensation Discussion and Analysis and Executive Compensation Tables portions of this Proxy Statement. These sections describe the Company's executive compensation policies and practices and the compensation of our named executive officers.

We currently hold a say-on-pay vote every year, consistent with the vote of our shareholders at our 2011 Annual Meeting. Shareholders have an opportunity to cast an advisory vote on the *frequency* of say-on-pay votes at least once every six years. We will hold our next advisory vote on the frequency of say-on-pay votes no later than 2017.

While the say-on-pay vote is advisory and is therefore nonbinding, the Compensation Committee and Board consider the vote results when making future decisions regarding HEI's executive compensation program.

Your Board recommends that you vote FOR the advisory resolution approving the compensation of HEI's named executive officers as disclosed in this Proxy Statement.

COMPENSATION DISCUSSION AND ANALYSIS

This section describes our executive compensation program and the compensation decisions made for our 2013 named executive officers. Three of our named executive officers are executives at HEI (the holding company), one leads Hawaiian Electric Company (our electric utility subsidiary), and one heads American Savings Bank (our bank subsidiary):

Name	Title	Entity
Constance H. Lau	HEI President & CEO	Holding company
James A. Ajello	HEI Executive Vice President & Chief Financial Officer	Holding company
Chet A. Richardson	HEI Executive Vice President, General Counsel, Secretary & Chief Administrative Officer	Holding company
Richard M. Rosenblum	Hawaiian Electric Company President & CEO	Electric utility subsidiary
Richard F. Wacker	American Savings Bank President & CEO	Bank subsidiary

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Executive summary

Our guiding principles shape our program design and pay decisions

In designing HEI's executive compensation program and making pay decisions, the Compensation Committee (Committee) follows these guiding principles:

pay should reflect Company performance, particularly over the long-term,

compensation programs should align executive interests with those of our shareholders,

programs should be designed to attract, motivate and retain talented executives who can drive the Company's success, and

the cost of programs should be reasonable while maintaining their purpose and benefit.

Key design features

Straight-forward design. The compensation program for our named executive officers is simple and straight-forward. The program is comprised of four primary elements base salary, performance-based annual incentives, performance-based long-term incentives earned over three years and time-based restricted stock units (RSUs) that vest in annual installments over four years. The following charts illustrate the proportion of target compensation opportunity made up by each element.

Named Executive Officer (NEO) 2013 Target Compensation Mix

Emphasis on variable (performance-based) pay over fixed pay. Through the target compensation mix, we emphasize variable pay over fixed pay, with the majority of the target compensation opportunity for each named executive officer linked to the Company's financial, market and operating results. Performance-based incentives make up 59% of the CEO's target compensation opportunity and 52%, on average, of the other named executive officers' target compensation opportunity.

Balance between short- and long-term components. The compensation program also balances the importance of achieving long-term strategic priorities and critical short-term goals that support long-term objectives.

NEO Pay Opportunity

Variable Over Fixed Pay Opportunity at Target

Balance of Short- and Long-Term Pay at Target

Variable pay reflects 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 CEO, for net income and for TSR relative to the EEI 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 CEO 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.*

Say-on-pay results and shareholder outreach

At our 2013 Annual Meeting, 83% of votes cast approved our executive compensation program through the advisory say-on-pay vote. Because this approval rate was lower than the levels received in the prior two years, the Company initiated a shareholder outreach program to better understand shareholder views on our compensation program. The Company invited shareholders who collectively held more than 25% of HEI's shares to discuss our executive compensation. We also reached out to key proxy advisory organizations. From those who accepted our invitation, we learned that there was general approval of our compensation program. We also received suggestions regarding how specific aspects of our program might be improved.

The feedback received included, among other items, the following:

Support for diversity among the metrics used in the short-term and long-term incentive plans.

Emphasis on the importance of clear disclosure, particularly as it relates to circumstances where an adjustment has been deemed necessary.

Support for enhanced pay-for-performance alignment.

2014 compensation program changes

In response to our say-on-pay vote results and feedback from our shareholders, and as part of its ongoing efforts to strengthen our compensation program, the Committee has made the following changes to our executive compensation program, which are effective for 2014 compensation:

Performance metrics. We revised the holding company annual and long-term incentive performance metrics and the utility long-term incentive performance metrics for programs beginning in 2014 to avoid overlapping metrics for those components.

For 2014 holding company annual incentives, return on average common equity (ROACE) has been removed, such that holding company metrics are annual net income and a composite of subsidiary operational metrics. The Committee believes net income remains an appropriate annual incentive metric because shareholders consider net income an important measure of Company performance and because of its correlation with shareholder value. Adding an index of subsidiary metrics further invests holding company executives in subsidiary operating outcomes.

For 2014-16 holding company and utility long-term incentives, net income has been removed, resulting in Relative TSR and HEI 3-year ROACE as the holding company executive metrics and Relative TSR and utility ROACE as a % of the ROACE permitted by its regulator as the utility executive metrics. The Committee believes Relative TSR continues to be an appropriate long-term measure because it compares the value created for HEI shareholders to that created by other investor-owned electric companies. The Committee also views ROACE as an important metric because it evaluates profitability based on return as a percentage of shareholders' investment in the Company.

Relative TSR goals. For the 2014-16 period, the Committee increased the Relative TSR target goal from 50th percentile to 60th percentile and the maximum goal from 75th percentile to 90th percentile to make the target and maximum levels more challenging.

Compensation peers. For 2014 compensation, the Committee expanded the HEI peer group to include three larger and four smaller companies, increasing the group's size from 16 to 22 companies (with one company leaving the peer group due to acquisition). This change will help reduce the impact of volatility in a given peer company's compensation for the applicable year, maintains HEI's location near median for revenues and assets and provides improved comparability in other size measures.

The Committee believes these changes will enhance our existing executive compensation program.

Our compensation practices demonstrate our commitment to sound governance

The tables below summarize our current executive compensation practices both what we do (to drive performance and manage risk) and what we don't do:

What We Do

ü Link pay to performance

ü Utilize rigorous performance conditions that encourage long-term value creation

ü Balance short- and long-term compensation to promote sustained performance over time

ü Benchmark toward the competitive median in setting compensation levels

ü Review tally sheets when making compensation decisions

ü Mitigate undue risk in compensation programs

ü Utilize "double-trigger" change-in-control agreements

ü Maintain clawback policy for performance-based compensation

ü Require stock ownership and retention by named executive officers; CEO must own five times her base salary

ü Prohibit pledging of Company stock and transactions designed to hedge the risk of stock ownership ü Utilize independent compensation consultant to advise Committee

What We Don't Do

No employment contracts

No tax gross ups, except under the Executive Death Benefit Plan frozen in 2009

No compensation programs that are reasonably likely to create material risk to Company

No significant perquisites

No repricing of underwater equity-based grants

No dividends or dividend equivalents on unearned performance shares

Supplemental pay data   Realizable pay

CEO realizable pay compared to Summary Compensation Table total. The chart below illustrates the difference between the total compensation for the CEO shown in the Summary Compensation Table on page 48 and the CEO's "realizable pay" for 2011, 2012 and 2013. We believe this supplemental information is important because the total in the Summary Compensation Table includes: (i) the value of equity-based awards as of the date they are granted, even though, for performance-based equity awards, the actual value the executive will receive will not be known until the performance period ends three years later; and (ii) change in pension value, which predominantly reflects fluctuations in interest rates and other actuarial assumptions and does not necessarily represent the actual benefit to be received by the executive. Realizable pay differs significantly from the total shown in the Summary Compensation Table and is not a substitute for the Summary Compensation Table total.

CEO Realizable Pay vs Total Compensation as Reported in Summary Compensation Table

CEO realizable pay *consists of: (1) base salary, (2) annual incentive payouts, (3) RSUs granted (but not vested) in the year, and (4) performance-based equity awards (i) actually paid for cycles wholly contained within the three-year period shown and (ii) estimated based on recent performance for cycles granted in the three-year period but not yet completed. All equity is valued using the 12/31/13 closing price of $26.06.*

CEO total compensation as reported in Summary Compensation Table *consists of all items included in the Total column of the Summary Compensation Table on page 48, which are: (1) base salary, (2) annual incentive payouts, (3) RSUs granted (but not vested) in the year valued using grant date fair value, (4) performance-based equity award opportunities granted in the year valued using grant date fair value, (5) change in pension value and change in value of executive death benefits and (6) any perquisites.*

CEO realizable pay and Company performance compared to compensation peers. The following graph compares the alignment between the HEI CEO's realizable pay and HEI TSR to HEI's compensation peers from 2010-12. As the chart illustrates, HEI CEO realizable pay over the 2010-12 period was correlated with HEI's TSR performance relative to its peer group. For this comparison, we use the 2010-12 period because 2013 compensation information for several of HEI's peers was not yet available at the time this Proxy Statement was printed.

Pay and Performance Alignment Relative to Compensation Peers (2010-12)

For all companies in the graph to the left, realizable pay for 2010-12 consists of: base salary, performance-based cash payouts, performance-based equity awards (based on actual payouts for completed periods and proxy statement estimated performance for periods not completed as of 12/31/12) and valued using the 2012 FYE closing stock price, and time-based equity awards granted valued using the 2012 FYE closing stock price. HEI did not grant stock options during the period; however, if a peer company CEO received stock options, those options are valued based on the difference between the grant price and the FYE 2012 closing price.

How we make compensation decisions

Our roles in determining compensation are well-defined

Compensation Committee

The Committee oversees the design and implementation of executive compensation programs. On an annual basis, the Committee engages in a rigorous process to arrive at compensation decisions regarding the named executive officers. In the course of this process, the Committee:

Engages in extensive deliberations in meetings held over several months

Consults with its independent compensation consultant during and outside of meetings

Focuses on the Company's long-term strategy and nearer-term goals to achieve such strategy in setting performance metrics and goals

Reviews tally sheets for each named executive officer to understand how the elements of compensation relate to each other and to the compensation package as a whole (the tally sheets include fixed and variable compensation, minimal perquisites and change in pension value and also show historical compensation)

Examines data and analyses prepared by its independent compensation consultant concerning peer group selection, comparative compensation data and evolving best practices

Reviews Company performance and discusses assessments of the individual performance of senior members of management

Analyzes the reasonableness of incentive payouts in light of the long-term benefits to shareholders

Considers trends in payouts to determine whether incentive programs are working effectively

Reviews risk assessments to determine whether compensation programs and practices carry undue risk

Early each year, the Committee determines payouts under incentive plans ending in the prior year, establishes performance metrics and goals for incentive plans beginning that year and recommends to the Board and subsidiary boards the level of compensation and mix of pay elements for each named executive officer.

The independent directors evaluate the CEO's performance, consider Committee recommendations concerning her pay and determine her compensation. The Board and subsidiary boards also review the performance of and Committee recommendations concerning the other named executive officers and approve their compensation.

Executive officers

The CEO, who is also an HEI director, assesses and reports on the performance of the other named executive officers and makes recommendations to the Committee with respect to their levels of compensation and mix of pay elements. She also participates in Board deliberations in acting on the Committee's recommendations regarding the other named executive officers. She does not participate in the deliberations of the Committee to recommend, or of the Board to determine, her own compensation.

Management supports the Committee in executing its responsibilities by providing materials for Committee meetings (including tally sheets and recommendations regarding performance metrics, goals and pay mix); by attending portions of Committee meetings as appropriate to provide perspective and expertise relevant to agenda items; and by supplying data and information as requested by the Committee and/or its independent compensation consultant.

Compensation consultant & consultant independence

The Committee's independent compensation consultant, Fred Cook & Co., is retained by, and reports directly to, the Committee. Fred Cook & Co. provides the Committee with independent expertise on market practices and developments in executive compensation, compensation program design, peer group composition, and competitive pay levels, and provides related research, data and analysis. Fred

Cook & Co. also advises the Committee regarding analyses and proposals presented by management. A representative of Fred Cook & Co. generally attends Committee meetings, participates in Committee executive sessions, and communicates directly with the Committee.

In early 2014, as in 2013, the Committee evaluated Fred Cook & Co.'s independence, taking into account all relevant factors, including the factors specified in the NYSE listing standards and the absence of other relationships between Fred Cook & Co. and the Company, its directors or executive officers. Based on its review of such factors, and based on Fred Cook & Co.'s independence policy, which was shared with the Committee, the Committee concluded that Fred Cook & Co. is independent and that the work of Fred Cook & Co. has not raised any conflict of interest.

We use comparative market data as a reference point for compensation

Compensation benchmarking

The Committee considers comparative market compensation as a reference in determining pay levels and mix of pay components. While the Committee seeks to position named executive officer target compensation opportunity (comprised of base salary, target performance-based annual incentive, target performance-based long-term incentive and time-vested RSUs) at the comparative market median, the Committee may decide that an executive's pay opportunity should be higher or lower based on internal equity or the executive's level of responsibility, experience, expertise, performance and retention and succession considerations.

Comparative market data used in setting 2013 executive pay consisted of information from public company proxy statements for peer group companies and, for Ms. Lau, Mr. Ajello, Mr. Richardson and Mr. Rosenblum, data from the Towers Watson Energy Services Survey, which consists of compensation data for 96 companies. The data was regressed based on revenues of $3.4 billion for appropriate size comparison for HEI.

Comparative market data available in late 2012 was used to establish the 2013 target compensation opportunity. On the basis of such data, the Committee set the target compensation opportunity for all named executive officers at approximately the comparative market median.

Peer groups

Compensation peers

The Committee annually reviews the peer groups used in benchmarking for HEI and subsidiary executive compensation, with analysis and recommendations provided by Fred Cook & Co.

For 2013 compensation, the Committee used one peer group for the compensation of the named executive officers employed by HEI (Ms. Lau, Mr. Ajello and Mr. Richardson) and its electric utility (Mr. Rosenblum) and used a separate peer group for the named executive officer employed by the bank subsidiary (Mr. Wacker), given the differences of the bank's business from that of HEI and its utility subsidiary.

The criteria for determining the HEI peer group applicable to 2012 compensation had been established in 2010, with the only changes from 2010 to 2012 being the removal of companies that had been acquired. When the criteria were established in 2010, HEI's revenues were at the median of the peer group but have outgrown the median since that time. Thus, for 2013, the Committee determined, with input from Fred Cook & Co., that HEI's peer group should be reset to situate HEI at the median for revenues. The Committee determined that the companies in the 2012 bank subsidiary peer group remained appropriate and that no changes to that peer group were needed for 2013. The selection criteria and resulting 2013 HEI and bank subsidiary peer groups are set forth below.

	HEI 2013 Peer Group (applies to Ms. Lau, Mr. Ajello, Mr. Richardson & Mr. Rosenblum)		Bank Subsidiary 2013 Peer Group (applies to Mr. Wacker)	
Selection Criteria	Electric and multi-utility companies Revenue balanced in a range of 1/2 to 2x HEI's revenue Market cap and location as secondary considerations Available compensation data		High-performing regional banks and thrifts Total assets balanced in a range of 1/2 to 2x American Savings Bank's total assets Available compensation data	
Peer Group for 2013 Compensation	Alliant Energy	Pepco Holdings	1st Source	Glacier Bancorp
	CMS Energy	Pinnacle West	BancFirst	Great Southern Bancorp
	Great Plains Energy	Portland General Electric	Bank of Hawaii	IBERIABANK
	Integrys Energy	SCANA	Bank of the Ozarks	Independent Bank
	MDU Resources	TECO Energy	Central Pacific Financial	NBT Bancorp
	NiSource	Vectren	City Holding Company	Park National
	NV Energy	Westar Energy	Community Bank System	Prosperity Bancshares
	OGE Energy	*Wisconsin Energy*	CVB Financial	Republic Bancorp
			Dime Community Bancshares	United Bankshares
	Italicized companies were new for 2013. The following were removed for 2013 due to acquisition (DPL) or because their revenues did not fit the new criteria (Avista, Black Hills, Cleco, IDACORP, NorthWestern, PNM Resources, UNS Energy).		First Financial Flushing Financial	Westamerica Bancorp

Performance peers

In addition to the peer companies used for benchmarking executive compensation, certain of the performance metrics used in the long-term incentive plans (described beginning on page 37) are based on performance relative to performance peers. HEI's Relative TSR performance is measured against the performance of the utilities in the Edison Electric Institute (EEI) Index and the bank's Relative Return on Assets (ROA) performance metric is based on the bank's performance compared to that of all banks with assets of $3.5 billion to $8 billion. See Exhibits B and C for the 2013 EEI Index companies and the 2013 Bank Performance Peers, respectively.

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What we pay and why: Compensation elements and 2013 pay decisions

Each element of compensation supports important objectives

The total compensation program for named executive officers is made up of the five components summarized below. Each component fulfills important objectives that reflect our focus on pay for performance, competitive programs to attract and retain talented executives, and aligning executive decisions with the interests of the Company and our shareholders. These elements are described in further detail in the pages that follow.

Compensation Element (and where to learn more)	Summary	Objectives
Base Salary (page 34)	Fixed level of cash compensation targeted to peer group median (but may vary based on performance, experience, responsibilities and other factors).	Attract and retain talented executives by providing competitive fixed cash compensation.
Annual Performance-Based Incentives (page 34)	Variable cash award based on achievement of pre-set performance goals for the year. Award opportunity is a percentage of base salary. Performance below threshold levels yields no incentive payment.	Drive achievement of key business results linked to long-term strategy and reward executives for their contributions to such results. Balance compensation cost and return by paying awards based on performance.
Long-Term Performance-Based Incentives (page 37)	Variable equity award based on meeting pre-set performance objectives over a 3-year period. Award opportunity is a percentage of base salary. Performance below threshold levels yields no incentive payment.	Motivate executives and align their interests with those of shareholders by promoting long-term value growth and by paying awards in the form of equity. Balance compensation cost and return by paying awards based on performance.
Annual RSU Grant (page 42)	Annual equity grants in the form of RSUs that vest in equal installments over 4 years. Amount of grant is a percentage of base salary.	Promote alignment of executive and shareholder interests by ensuring executives have significant ownership of HEI stock. Retain talented leaders through multi-year vesting.
Benefits (page 42)	Includes defined benefit pension plans and retirement savings plan (for HEI/utility employees) and defined contribution plan (for bank employees); deferred compensation plans; double-trigger change-in-control agreements; minimal perquisites; and an executive death benefit plan (frozen since 2009).	Enhance total compensation with meaningful and competitive benefits that promote peace of mind and contribute to financial security. Double-trigger change-in-control agreements encourage focused attention of executives during major corporate transitions.

Modest changes to elements in 2013

On an annual basis, the Committee reviews and recommends each named executive officer's target compensation opportunity, which is composed of four of the five elements from the chart above: base salary, annual incentive opportunity at target, long-term incentive opportunity at target and annual RSU grant. The last three of these elements are established as a percentage of base salary.

The Committee made modest changes to the mix of elements for 2013, as shown in the chart below. For Ms. Lau, the only change was an increase in her target annual incentive opportunity from 90% to 100% of base salary; this increase in her compensation opportunity was deemed necessary to maintain consistency with the peer median level. For Mr. Rosenblum, the Committee made modest increases to his base salary and annual incentive opportunity. All other named executive officers received a base salary increase but no other changes to their mix of pay elements. These Committee decisions are described further in the sections that follow.

	Base Salary ($)		**Annual Incentive (Target Opportunity1 as % of Base Salary)**		**Long-term Incentive (Target Opportunity1 as % of Base Salary)**		**Restricted Stock Units (Grant Value as % of Base Salary)**	
Name	**2012**	**2013**	**2012**	**2013**	**2012-14**	**2013-15**	**2012**	**2013**
Constance H. Lau	815,000	same	90	100	150	same	75	same
James A. Ajello	510,000	527,850	60	same	80	same	50	same
Chester A. Richardson	385,000	396,550	55	same	70	same	50	same
Richard M. Rosenblum	605,000	617,100	70	75	90	same	50	same
Richard F. Wacker	580,000	591,600	80	same	80	same	20	same

1
The threshold and maximum opportunities are 0.5 times target and 2 times target, respectively.

Base salary

Base salaries for our named executive officers are reviewed and determined annually. In establishing base salaries for the year, the Committee considers competitive market data, internal equity, and each executive's level of responsibility, experience, expertise, performance and retention and succession considerations. The Committee strives to set base salaries at the competitive median, but may determine that the foregoing factors compel a higher or lower salary.

In February 2013, the Committee and Board determined that a larger percentage of the HEI CEO's pay opportunity should be based on performance. Thus, it was determined that Ms. Lau's base salary would remain unchanged and her annual incentive opportunity would be increased as described under "2013 target annual incentive opportunity" below. For 2013, Messrs. Ajello, Richardson, Rosenblum and Wacker received modest base salary increases to recognize their performance and maintain the market competitiveness of their pay. The percentage increases were as follows: Mr. Ajello (3.5%), Mr. Richardson (3%), Mr. Rosenblum (2%) and Mr. Wacker (2%). The resulting 2013 base salaries are shown on page 33.

Annual incentives

HEI named executive officers and other executives are eligible to earn an annual cash incentive award under HEI's Executive Incentive Compensation Plan (EICP) based on the achievement of performance goals for the year. Each year, the Committee determines the target annual incentive opportunity for each executive, performance metrics for the year, and goals for achievement in those metrics.

2013 target annual incentive opportunity

The target annual incentive opportunity is a percentage of base salary, with the threshold and maximum opportunities equal to 0.5 times and 2 times target, respectively. In establishing the target percentage for each executive, the Committee takes into account the mix of pay elements, competitive market data, internal equity, performance and other factors described above under "Base Salary."

The 2013 target annual incentive opportunities for the named executive officers are shown on page 33. For 2013, the Committee recommended, and the Board approved, raising the target opportunity for each of Ms. Lau (from 90% to 100%) and Mr. Rosenblum (from 70% to 75%) to increase the proportion of their compensation that is tied to performance and to be at levels closer to the annual incentive opportunities for similar positions at comparable companies.

2013 performance metrics, goals, results & payouts

The performance metrics for annual incentives are chosen because they connect directly to the Company's strategic priorities and correlate with creating shareholder value. The 2013 performance metrics for Ms. Lau, Mr. Ajello and Mr. Richardson related to the holding company, while the metrics for Mr. Rosenblum and Mr. Wacker concerned the utility and bank, respectively. The rationale for each metric is shown in the chart on the following page.

In addition to selecting performance metrics, the Committee determines the level of achievement required to attain the threshold, target and maximum goal for each metric. The level of difficulty of the goals reflects the Committee's belief that incentive pay should be motivational that is, the goals should be challenging but achievable and that such pay should be balanced with reinvestment in the Company and return to shareholders. Consistent with this approach, the Committee believes threshold should represent solid performance with positive financial/operating results, target should denote achievable goals that include a stretch factor and maximum should signify truly exceptional performance.

The target level for financial goals, such as net income, ROACE and ROA is generally set at the level of the Board-approved budget, which represents the level of accomplishment the Company seeks to achieve for the year. In setting the threshold and maximum levels, the Committee considers whether the risks to accomplishing the budget weigh more heavily toward the downside and how challenging it would be to achieve incremental improvements over the target level.

The chart below identifies the 2013 annual incentive metrics, the objective each measure serves, the level of achievement required to attain the threshold, target and maximum levels for each metric, the results for 2013 and the corresponding payout as a percentage of the target opportunity. The results shown below for Mr. Wacker incorporate the Committee's decision to exclude the impact of two unusual events that affected the bank in 2013. For discussion of this decision, see page 36.

2013 Annual Incentive Performance Metrics & Why We Use Them	Weighting	Goals			Result	Total Payout as % of Target
		Threshold	Target	Maximum		
Lau, Ajello, Richardson						
HEI Net Income[1] focuses on fundamental earnings growth, which correlates to shareholder value.	50%	$146M	$162M	$174M	$162M	121%
HEI ROACE[2] measures profitability based on net income returned as a % of average common equity.	50%	8.6%	9.5%	10.2%	9.8%	
Rosenblum						
Utility Net Income[1] see HEI Net Income above.	50%	$112M	$125M	$137M	$123M	
Plant Additions[3] promotes execution of the utility's robust plant additions program, which is needed to achieve clean energy goals and maintain reliable service.	10%	$307M	$341M	$375M	$358M	
Utility Safety[4] rewards improvements in workplace safety, promoting employee wellbeing and reducing expense.	10%	1.68 TCIR	1.46 TCIR	1.24 TCIR	1.59 TCIR	
Renewable Energy[5] encourages development and integration of additional renewable energy into the utility's system.	5%	100 GWh	150 GWh	200 GWh	275 GWh	114%
Utility Employee Engagement[6] rewards growth in employee dedication and motivation, which are crucial to achieving the utility's objectives.	10%	67.9%	70.2%	72.5%	70.7%	
Utility Customer Satisfaction[7] focuses on improving the customer experience through all points of contact with the	10%	57	58	67	61	

utility.						
Utility Service Levels[8] promotes improvements in call center response rates.	5%	45%	50%	65%	67%	
Wacker						
Bank ROA[9] measures how efficiently the bank deploys its assets by comparing return to total assets.	40%	1.00%	1.10%	1.20%	1.16%	174%
Bank Net Income[10] see HEI Net Income above.	60%	$51M	$56M	$60M	$59M	

1 *The HEI and Utility Net Income results represent HEI's and the utility's GAAP net income for the year, respectively.*

2 *The HEI ROACE result was calculated by dividing GAAP net income by GAAP average common equity for the year.*

3 *Utility Plant Additions represents plant additions to the utility rate base, net of in-kind contributions in aid of construction.*

4 *Utility Safety is measured by Total Cases Incident Rate (TCIR), a standard measure of employee safety. TCIR equals the number of Occupational Safety and Health Administration recordable cases as of 12/31/13 × 200,000 productive hours divided by productive hours for the year. The lower the TCIR the better.*

5 *Renewable Energy represents gigawatt hours (GWh) of additional renewable energy acquired during the year through a variety of methods, including new power purchase agreements, new generation projects, new biofuel supply contracts, and net energy metering and feed-in-tariff projects.*

6 *Utility Employee Engagement is based on employee engagement surveys conducted by a third party vendor and compares utility employee engagement to that of general industry and to utilities in particular.*

7 *Utility Customer Satisfaction is based on customer surveys conducted by a third party vendor.*

8

Utility Service Levels represents the percentage of calls answered in thirty seconds or less.

9

The Bank ROA result is the bank's non-GAAP core net income divided by its average total assets for the period. The bank's core net income is described in note 10 below. Average total assets is calculated by averaging the total assets for each day in the period.

10

The Bank Net Income result represents the bank's non-GAAP core net income for 2013, which differs from what is reported under GAAP because it excludes the adjustments for unusual events described below. For a reconciliation of the GAAP and non-GAAP results, see Exhibit A.

The following chart shows how Total Payout as a % of Target from the chart above is converted into a dollar value for each named executive officer. The payout amounts are also shown in the "Nonequity Incentive Plan Compensation" column of the Summary Compensation Table on page 48. The range of possible annual incentive payouts for 2013 is shown in the Grants of Plan Based Awards table on page 50.

Name	**Target Opportunity (% of base salary)**		**Base Salary ($)**		**Target Payout ($)**		**Total Payout as a % of Target (%)**		**2013 Actual Annual Incentive Payout ($)1**
Constance H. Lau	100	×	815,000	=	815,000	×	121	=	$989,643
James A. Ajello	60	×	527,850	=	316,710	×	121	=	$384,576
Chet A. Richardson	55	×	396,550	=	218,103	×	121	=	$264,839
Richard M. Rosenblum	75	×	617,100	=	462,825	×	114	=	$526,262
Richard F. Wacker	80	×	591,600	=	473,280	×	174	=	$823,554

1

Figures in chart may not calculate to amount shown in 2013 Actual Annual Incentive Payout due to rounding of the Total Payout as % of Target. Total Payout as % of Target was rounded for ease of presentation.

Adjustments for unusual events

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.

In determining the bank's 2013 net income and ROA performance for purposes of the 2013 annual incentive and 2011-13 long-term incentive plans, the Committee considered the effects of two unusual events that were material to the bank. The first event was the unanticipated application to the bank of the debit card interchange fee cap under the Durbin Amendment to the Dodd-Frank Act (see Durbin Amendment summary below), which had a negative impact of $3 million on the bank's net income for 2013. The second was the bank's sale of its credit card portfolio, which had a favorable impact of $1.2 million in 2013.

The Committee determined that it was appropriate to exclude both events, resulting in a net $1.8 million increase in the bank's net income for purposes of 2013 performance under the incentive plans. The Committee deemed the exclusion of the Durbin Amendment impact to be appropriate because the fee caps were not anticipated to apply to banks the size of American Savings Bank, its application to the bank was unrelated to bank management's actions, and because of its material negative impact on the bank and its pre-established incentive plans.

The Committee believes that certain positive outcomes should also be considered for exclusion, depending on the circumstances. The Committee concluded that the favorable impact of the bank's 2013 credit card portfolio sale should be excluded from 2013 performance for purposes of the incentive plans because, although the transaction was under negotiation at the time the goals were established, it was not reflected in the bank's goals when considering the uncertainty associated with closing the transaction.

The Committee decided that these exclusions should not apply to the holding company named executive officers (Ms. Lau, Mr. Ajello and Mr. Richardson) for the 2013 annual incentive and 2011-13 long-term incentive plans because their impact on HEI's 2013 results was less significant and therefore the holding company plan retained its incentivizing effect without any adjustment.

Durbin Amendment summary

Section 1075 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), known as the Durbin Amendment, requires the Federal Reserve to issue regulations limiting debit card interchange fees. The Durbin Amendment exempts issuers with assets of less than $10 billion from the fee cap. This exemption is known as the "small issuer exemption." The Congressional intent of the $10 billion threshold was to protect the profitability of smaller community banks like American Savings Bank, which has approximately $5 billion in assets.

Other financial reform provisions of the Dodd-Frank Act define assets as including assets of affiliates that are "financial in nature"; however, the implementing regulations for the Durbin Amendment did not distinguish financial from non-financial affiliates when calculating asset size. Thus, the inclusion of the approximately $5.1 billion in assets of HEI's utility causes the bank to be subject to the Durbin Amendment's interchange fee cap in the same manner as far larger banks. None of the bank's performance peers (banks with assets in the $3.5 to $8 billion range) are subject to the fee caps.

The fee caps applied to the bank for six months of 2013 (with a negative net income impact of $3 million), but will apply for twelve months of the year starting in 2014 (with an anticipated negative net income impact of approximately $6 million per year). While these effects are unfortunate, HEI and the Board believe they are outweighed by the substantial benefits to the Company and its shareholders of growing the utility rate base and permitting the assets of the consolidated HEI enterprise to exceed $10 billion.

Long-term incentives

HEI named executive officers and other executives are also eligible to earn equity awards under HEI's Long-Term Incentive Plan (LTIP) based on achievement of performance goals over rolling three-year periods. These incentives are designed to directly tie executive interests with those of shareholders by rewarding executives for long-term value growth and by paying such awards in HEI stock. Because award opportunities are established as a number of shares of HEI stock, executives are exposed to the risk of change in HEI's stock price during the performance period. The three-year performance periods foster a long-term perspective and provide balance with the shorter-term focus of the annual incentive program. In addition, the overlapping three-year performance periods encourage sustained high levels of performance because at any one time three separate potential awards are affected by current performance.

Similar to the annual incentives, in developing long-term incentives, the Committee determines the target incentive opportunity for each executive, performance metrics for the three-year period and goals for achievement in each metric.

2013-15 long-term incentives

2013-15 target long-term incentive opportunity

As with the annual incentives, the target long-term incentive opportunity is a percentage of base salary, with the threshold and maximum opportunities equal to 0.5 times and 2 times target, respectively. In establishing the target percentage for each executive, the Committee considers the mix of pay elements, competitive market data, internal equity, performance and other factors described above under "Base Salary."

The Committee made no changes to the target incentive opportunities for 2013-15, as it determined that the target long-term incentive opportunities for the prior performance period remained appropriate. The 2013-15 target long-term incentive opportunities for the named executive officers are shown on page 33. Such target opportunities were converted into a potential number of shares to be received at threshold, target and maximum performance levels based on the fair market value of HEI Common Stock on the date the award opportunities were established. The range of possible 2013-15 long-term incentive payouts is shown in the Grants of Plan Based Awards table on page 50.

2013-15 performance metrics and goals

The performance metrics for long-term incentives are chosen for their direct relation to creating long-term value for shareholders. HEI Relative TSR is a long-term performance metric for each named executive officer. Ms. Lau, Mr. Ajello and Mr. Richardson have additional metrics connected to holding company performance and Mr. Rosenblum and Mr. Wacker have other metrics focused on the subsidiaries they oversee.

In addition to selecting performance metrics, the Committee determines the level of achievement required to attain threshold, target and maximum performance for each metric. The same principles the Committee applies to annual incentive goals apply to long-term incentive goals. As such, the level of difficulty of the goals reflects the Committee's belief that incentive pay should be motivational that is, the goals should be challenging but achievable and that such pay should be balanced with reinvestment in the Company and return to shareholders. Consistent with this approach, the Committee believes threshold should represent solid performance with positive financial/operating results, target should denote achievable goals that include a stretch factor and maximum should signify truly exceptional performance.

The target level for financial goals, such as three-year average net income and three-year ROACE, relate to the levels the Company seeks to achieve over the performance period. In setting the threshold and maximum levels, the Committee considers whether the risks to accomplishing those levels weigh more heavily toward the downside and how challenging it would be to achieve incremental improvements over the target result. For the 2013-15 period, the Committee chose the metrics and goals in the chart on the following page to encourage long-term achievement of earnings and growth in shareholder value.

After the goals for 2013-15 long-term incentives were established, the Committee determined that the 2013-15 HEI net income and ROACE and bank net income and relative ROA results should be adjusted to reflect the Durbin Amendment impact described on page 36. The Committee believes this treatment is appropriate because the Durbin Amendment was not expected to affect the Company at the time the goals were established, the anticipated $6 million negative impact in each year of the 2013-15 period would materially affect both the holding company and bank for all three years of the performance period and, as such, the ability of the plans to incentivize executive performance would be undermined without such action. Accordingly, the Committee will adjust the results at the end of the performance period to exclude the Durbin Amendment impact.

2013-15 Long-Term Incentive Performance Metrics & Why We Use Them	Weighting	Threshold	Goals Target	Maximum
Lau, Ajello, Richardson				
HEI Relative TSR1 compares the value created for HEI shareholders to that created by other investor-owned electric companies (EEI Index).	50%	30th percentile	50th percentile	75th percentile
HEI 3-year Avg. Net Income2 focuses on fundamental earnings growth, which correlates to shareholder value.	25%	$168M	$190M	$206M
HEI 3-year ROACE3 measures profitability based on net income returned as a % of average common equity.	25%	9%	9.9%	10.3%
Rosenblum				
HEI Relative TSR1 see above.	50%	30th percentile	50th percentile	75th percentile
Utility 3-year ROACE as a % of Allowed Return4 measures the performance of the utility and its subsidiaries in attaining the level of ROACE they are permitted to earn by their regulator.	25%	74%	84%	94%
Utility 3-year Avg. Net Income2 see HEI measure above.	25%	$136.5M	$147.1-156.2M	$166.8M
Wacker				
Bank Relative ROA5 compares how efficiently the bank deploys its assets compared to its performance peers (Bank Performance Peers).	40%	60-69th percentile	70-79th percentile	80-100th percentile
Bank 3-year Avg. Net Income2 see HEI measure above.	40%	$54M	$57M	$60M
HEI Relative TSR1 see above.	20%	30th percentile	50th percentile	75th percentile

1

HEI Relative TSR compares HEI's TSR to that of the companies in the EEI Index (see Exhibit B for companies that comprised the EEI Index in 2013). For LTIP purposes, TSR is the sum of the growth in price per share of HEI Common Stock based on the December month-average share price at the beginning of the performance period compared to the December month-average share price at the end of the performance period, plus dividends during the period, assuming reinvestment, divided by the beginning December month-average share price.

2

3-year Average Net Income for HEI, the utility and the bank is the average over the performance period of the applicable entity's GAAP net income, adjusted for exclusions allowed by the Committee. Committee-authorized adjustments of bank and utility results will be applied for purposes of calculating HEI results. For 2013-15, the bank's and HEI's net income will be adjusted to exclude the Durbin Amendment impact described above.

3

HEI 3-year ROACE is HEI's average net income divided by average common equity for the period, adjusted for exclusions the Committee allows for bank and utility results.

4

Utility 3-year ROACE as a % of Allowed Return is the utility's consolidated average ROACE for the performance period compared to the weighted average of the allowed ROACE for the utility and its subsidiaries as determined by the Hawaii Public Utilities Commission for the same period.

5

Bank Relative ROA represents how the bank's ROA compared to the ROA of the Bank Performance Peers during the performance period. The result is obtained by (i) comparing the bank's ROA to the ROA of the performance peers for each year in the period, resulting in a percentile ranking and (ii) taking the average of the bank's ranking for the three years. ROA is the bank's net income divided by average total assets for the year, adjusted for exclusions allowed by the Committee. Average total assets is determined by averaging the daily total assets for each day of the year. See Exhibit C for the 2013 Bank Performance Peers.

Shareholders, customers and employees all benefit when the above goals are met. Achievement of these goals makes HEI, the utility and the bank stronger financially, enabling HEI to raise capital at favorable rates for reinvestment in the operating companies and supporting dividends to shareholders. From a historical perspective, long-term incentive payouts are not easy to achieve, nor are they guaranteed. HEI and its utility and bank subsidiaries face significant external challenges in the 2013-15 period. Extraordinary leadership on the part of the named executive officers will be needed to achieve the long-term objectives required for them to earn the incentive payouts.

2011-13 long-term incentives

The Committee established the 2011-13 long-term incentive opportunities, performance metrics and goals in February 2011. Those decisions were described in the proxy statement for our 2012 Annual Meeting and are summarized again below to provide context for the payouts for the 2011-13 period.

2011-13 target long-term incentive opportunity

In February 2011, the Committee established the following 2011-13 target incentive opportunities as a percentage of named executive officer base salary. The target opportunities were converted into a potential number of shares based on the fair market value of HEI Common Stock on the date the award opportunities were established.

Name	2011-13 Target Opportunity (as % of Base Salary)	2011-13 Target Opportunity (in shares)
Constance H. Lau	140%	45,731
James A. Ajello	80%	14,589
Chester A. Richardson	70%	10,403
Richard M. Rosenblum	90%	21,715
Richard F. Wacker	80%	17,653

2011-13 performance metrics, goals, results & payouts

The Committee established the 2011-13 performance metrics and goals below in February 2011. The Committee selected the metrics for their correlation with long-term shareholder value and alignment with the multi-year strategic plans of HEI and its utility and bank subsidiaries. The chart below identifies the 2011-13 long-term incentive metrics, the objective each measure serves, the level of achievement required to attain the threshold, target and maximum levels for each metric, the results for 2011-13 and the corresponding payout as a percentage of target.

The results shown with respect to Mr. Wacker incorporate the Committee's decisions to exclude the 2013 impact of the unusual events described on page 36.

For Ms. Lau, Mr. Ajello, Mr. Richardson and Mr. Rosenblum, the results reflect the exclusion of the impact of unusual material events that affected the utility and HEI in 2011 and 2012. With respect to 2011, in February 2012 the Committee and Board approved the exclusion of an after-tax writedown of approximately $6 million that related to costs for a utility transmission project, consistent with a utility regulatory settlement. For 2012, the Committee and Board approved in February 2013 the exclusion of an after-tax writedown of approximately $24 million that resulted from a utility regulatory settlement which was designed to benefit the Company, utility customers, and shareholders over a multi-year period. Anticipated benefits of the settlement included the ability to recover $52 million in costs and the acceleration of cost recovery each year from 2014 to 2017 for our largest utility. In reaching their decision to exclude the impact of the writedown for purposes of incentive compensation, the Committee and Board considered that, on a non-adjusted basis, in 2012 HEI and the utility achieved among their strongest performance in the past decade, the settlement and related writedown were not contemplated at the time the performance goals were established, the settlement and writedown were in the long-term best interests of the Company, its shareholders and utility customers, and executives should be encouraged to take such actions.

2011-13 Long-Term Incentive Performance Metrics & Why We Use Them	Weighting	Goals Threshold	Target	Maximum	Result	Total Payout as % of Target
Lau, Ajello, Richardson						
HEI Relative TSR1 compares the value created for HEI shareholders to that created by other investor-owned electric companies (EEI Index).	50%	30th percentile	50th Percentile	75th percentile	27th percentile	26%
HEI 3-year Avg. Net Income2 focuses on fundamental earnings growth, which correlates to shareholder value.	50%	$155M	$175M	$187M	$156M	
Rosenblum						
HEI Relative TSR1 see above.	40%	30th percentile	50th percentile	75th percentile	27th percentile	
Utility 3-year ROACE as a % of Allowed Return3 measures the performance of the utility and its subsidiaries in attaining the level of ROACE they are permitted to earn by their regulator.	30%	79%	84%	89%	80%	18%
Utility 3-year Avg. Net Income4 see HEI measure above.	30%	$118M	$131M	$144M	$117M	
Wacker						