

HAWAIIAN ELECTRIC INDUSTRIES INC  
Form DEF 14A  
March 09, 2004

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

**SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**Hawaiian Electric Industries, Inc.**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.  
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HAWAIIAN ELECTRIC INDUSTRIES, INC. PO BOX 730 HONOLULU, HI 96808-0730

Robert F. Clarke  
*Chairman, President and  
Chief Executive Officer*

March 9, 2004

Dear Fellow Shareholder:

On behalf of the Board of Directors, it is once again my pleasure to invite you to attend the Annual Meeting of Shareholders of Hawaiian Electric Industries, Inc. (HEI). The meeting will be held on the Company's premises in Room 805 on the eighth floor of the American Savings Bank Tower in Honolulu, Hawaii on April 20, 2004, at 9:30 a.m. A map showing the location of the meeting site appears on page 30 of the Proxy Statement.

The accompanying Notice of Annual Meeting of Shareholders and Proxy Statement describe the items of business to be discussed during the meeting. In addition, we will review significant events of 2003 and their impact on you and your Company. Corporate officers will be available before and after the meeting to talk with you and answer any questions you may have.

As a shareholder of HEI, it is important that your views be represented. Please help us obtain the quorum needed to conduct business at the meeting by promptly voting your shares.

I join the management team of HEI in expressing our appreciation for your confidence and support. I look forward to seeing you at the Annual Meeting in Honolulu.

Sincerely,

Recycled

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**Hawaiian Electric Industries**  
**900 Richards Street**  
**Honolulu, Hawaii 96813**

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**NOTICE OF ANNUAL MEETING**

**Date and time** Tuesday, April 20, 2004, at 9:30 a.m.

**Place** American Savings Bank Tower, 1001 Bishop Street, 8th floor, Room 805, Honolulu, Hawaii 96813.

**Items of Business**

1. Elect a Class III director and four Class II directors.
2. Elect KPMG LLP as the Company's independent auditor.
3. Transact any other business properly brought before the meeting.

**Record Date** February 11, 2004

**Annual Report** The 2003 Annual Report to Shareholders (Appendix A) and Summary Report to Shareholders, which are not a part of the proxy solicitation materials, have been mailed along with this Notice and accompanying Proxy Statement.

**Proxy Voting** Shareholders of record may appoint proxies and vote their shares in one of three ways:

Via Internet pursuant to the instructions on the proxy card;  
Calling the toll-free number on the proxy card; or  
Signing, dating, and mailing the proxy card in the prepaid envelope provided.

Shareholders whose shares are held by a bank, broker, or other financial intermediary (street name) should follow the voting instruction card included by the intermediary.

Any proxy may be revoked in the manner described in the accompanying Proxy Statement.

**Attendance at Meeting** If your shares are registered in street name, please bring a letter from your bank or broker or provide other evidence of your beneficial ownership if you plan to attend the Annual Meeting.  
By Order of the Board of Directors

March 9, 2004

Peter C. Lewis  
Vice President-Administration and Secretary

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### Proxy Statement

Hawaiian Electric Industries, Inc. is soliciting proxies for the Annual Meeting of Shareholders scheduled for April 20, 2004. The mailing address of the principal executive offices of the Company is P.O. Box 730, Honolulu, Hawaii 96808-0730.

The approximate mailing date for this Proxy Statement, form of proxy, and annual and summary reports to shareholders for the fiscal year ended December 31, 2003, is March 12, 2004. The annual report and summary report are not considered proxy soliciting materials.

### About the Meeting

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#### Who can attend the meeting?

Attendance will be limited to:

shareholders of record;

beneficial owners of HEI Common Stock ("Common Stock") having evidence of ownership and entitled to vote at the meeting;

authorized representatives of absent shareholders; and

invited guests of management.

If you own shares of 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 Common Stock.

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

#### What are shareholders being asked to vote on?

Election of one Class III director for a term expiring at the 2005 Annual Meeting of Shareholders and four Class II directors for a three-year term expiring at the 2007 Annual Meeting of Shareholders.

Election of KPMG LLP as the Company's independent auditor.

### Voting Procedures

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#### Who is eligible to vote?

Only shareholders of record at the close of business on February 11, 2004 (the record date) are entitled to vote.

**How many shares are outstanding and entitled to vote?**

On February 11, 2004, 38,004,521 shares of Common Stock were outstanding. Each shareholder is entitled to one vote for each share held. Under the By-Laws of the Company, shareholders do not have cumulative voting rights in the election of directors.

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**What constitutes a quorum?**

A quorum is needed to conduct business at the Annual Meeting. A majority of the shares entitled to vote at the meeting constitutes a quorum. Abstentions and broker nonvotes will be counted in the number of shares present, in person or by proxy, for purposes of determining a quorum. A broker nonvote occurs when a broker does not have discretionary voting power to vote on a specific matter (such as nonroutine proposals) and has not received voting instructions from the beneficial owner.

**How do shareholders vote?**

Whether or not you plan to attend the Annual Meeting, please take the time to vote. You may vote by mail, telephone, or on-line via the Internet. The telephone and Internet procedures authenticate shareholders by use of a control number and permit confirmation that the vote has been properly recorded. You do not need to return your proxy if you vote by telephone or via the Internet.

**BY MAIL:** Please mark your vote and sign, date, and promptly return the proxy in the enclosed postage-paid envelope. If you return the signed proxy but do not mark the boxes showing how you wish to vote, your votes will be cast "FOR" the election of all nominees for director and "FOR" the election of the Company's independent auditor.

**BY TELEPHONE:** Please call the toll-free telephone number on the proxy (1-800-542-1160). Once connected, you will be prompted to record and confirm your vote. Telephone voting is available 24 hours a day, through Monday, April 19, 2004, 11:59 p.m. (EDT).

**BY INTERNET:** You may vote on-line by using the following Internet address: <http://www.vote4fast.com>. Specific instructions will be available allowing you to record and confirm your vote. Internet voting is available 24 hours a day, through Monday, April 19, 2004, 11:59 p.m. (EDT).

**IN PERSON:** You may vote your shares by attending the Annual Meeting and voting in person. If you wish to give your proxy to someone other than the individuals listed on the enclosed proxy, cross out all three names and insert the name of another person to vote your shares at the meeting.

**How do shareholders vote if their shares are 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 proxy card from your broker seeking instruction as to how your shares should be voted. If no instructions are given, your broker or nominee may vote your shares at its discretion on your behalf on routine matters (such as the election of directors and the independent auditor) under New York Stock Exchange rules.

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.

**How do shareholders vote if their shares are held in the Dividend Reinvestment and Stock Purchase Plan (DRIP) and/or the 401(k) Hawaiian Electric Industries Retirement Savings Plan (HEIRS)?**

If you own shares held in DRIP and HEIRS (including shares previously received under the Tax Reduction Act Stock Ownership Plan (TRASOP)), the respective plan trustees will vote the shares of stock held in these Plans according to your directions. For both DRIP and HEIRS (excluding TRASOP), the respective trustees will vote all the shares of Common Stock for which they receive no

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voting instructions in the same proportion as they vote shares for which they receive instruction. The trustee will not vote the shares in TRASOP for which it receives no voting instructions.

**Can shareholders change their vote?**

If you execute and return a proxy, you may revoke it at any time before the Annual Meeting in one of three ways:

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

notify the Secretary of the Company in writing; or

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

**How many votes are required?**

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

directors shall be elected by a plurality of the votes cast in the election and

the Company's independent auditor shall be elected if more votes are cast in favor of election than against election.

Abstentions and broker nonvotes will count in establishing a quorum, but will not otherwise affect the outcome of the election of directors or the Company's independent auditor.

**Who will count the votes and are the votes confidential?**

Georgeson Shareholder Communications Inc. will act as tabulator for broker and bank proxies and Corporate Election Services will act as tabulator for the 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 follows:

as required by law;

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

when you write a comment on the proxy form.

**Proposals You May Vote On**

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**1. Election of Class III Director and Class II Directors**

The Board of Directors currently consists of 13 directors divided into three classes with staggered terms so that one class of directors must be elected at each Annual Meeting. Oswald K. Stender (a Class III director) has reached the mandatory retirement age as specified by Board resolution and, therefore, his service as a director will end at the 2004 Annual Meeting. Based on the recommendation of the Nominating and Corporate Governance Committee, the Board of Directors has voted not to fill Mr. Stender's position, but instead to fix the number of directors

at 12, effective at the 2004 Annual Meeting.

The Company's By-Laws state that the size of each class of directors shall be as nearly equal as possible and any increase or decrease in the size of the Board shall be apportioned among the classes so as to make the number of directors in each class as nearly equal as possible. With the retirement of Mr. Stender, the Board of Directors, in order to accomplish an equal apportionment of directors among the three classes, has nominated Victor H. Li for election as a Class III director (rather than as a Class II director) with a term to expire at the 2005 Annual Meeting of Shareholders. The Nominating and Corporate Governance Committee has stated that it intends to nominate Dr. Li as a Class III director at the 2005 Annual Meeting.

This year, the four Class II nominees being proposed for election at this Annual Meeting are:

T. Michael May

Diane J. Plotts

Kelvin H. Taketa

Jeffrey N. Watanabe

Each of the nominees is currently a member of the Board of Directors and has consented to serve for the new terms expiring at the 2005 Annual Meeting for Dr. Li and the 2007 Annual Meeting for Mr. May, Ms. Plotts, Mr. Taketa and Mr. Watanabe. If a nominee is unable to stand for election, the proxy holders listed in the proxy may vote in their discretion for a suitable substitute.

YOUR BOARD RECOMMENDS THAT YOU VOTE FOR EACH OF THE NOMINEES FOR CLASS III AND CLASS II DIRECTORS.

Detailed information on each nominee and Class I and III directors is provided on pages 5 to 7.

## **2. Election of Independent Auditor**

The firm of KPMG LLP, independent certified public accountants, has been the auditor of the Company since 1981. The Audit Committee selected KPMG LLP as its independent auditor for 2004. The Board of Directors, upon the recommendation of its Audit Committee, recommends the election of KPMG LLP as the independent auditor of the Company for fiscal year 2004 and thereafter until its successor is elected. Representatives of KPMG LLP will be present at the Annual Meeting and will be given the opportunity to make a statement and to respond to appropriate questions.

YOUR BOARD RECOMMENDS THAT YOU VOTE FOR KPMG LLP AS INDEPENDENT AUDITOR OF THE COMPANY.

**Nominees for a Class III director whose term expires at the 2005 Annual Meeting and Class II directors whose terms expire at the 2007 Annual Meeting**

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**Victor Hao Li, S.J.D.**  
**(Class III director)**  
**Age 62**  
**Director Since 1988**

Co-chairman, Asia Pacific Consulting Group. President, Li Xing Foundation. Chairman, Shanghai Li Xing School.  
 Director of Hawaiian Electric Industries Charitable Foundation. Trustee, Japan-America Institute of Management Science.

**T. Michael May**  
**(Class II director)**  
**Age 57**  
**Director Since 1995**

President, chief executive officer and director of Hawaiian Electric Company, Inc. and chairman of the boards of Maui Electric Company, Limited, Hawaii Electric Light Company, Inc., and Renewable Hawaii, Inc.  
 Director of Hawaiian Electric Industries Charitable Foundation, Edison Electric Institute, and the Electric Power Research Institute. Chairperson, 2002 Aloha United Way Campaign. Member, Boy Scouts of America-Aloha Council Executive Board. Trustee, Academy of the Pacific and Blood Bank of Hawaii.

**Diane J. Plotts**  
**(Class II director)**  
**Age 68**  
**Director Since 1987**

Business advisor since 2000. General partner of Mideast and China Trading Company, formerly known as Hemmeter Investment Company from 1993 to 2000.  
 Director of Hawaiian Electric Company, Inc., American Savings Bank, F.S.B., and Plaza Club. Trustee, Kamehameha Schools.

**Kelvin H. Taketa**  
**(Class II director)**  
**Age 49**  
**Director Since 1993**

President and chief executive officer of the Hawaii Community Foundation. Director of Hookupu Fund and Civic Ventures.

**Jeffrey N. Watanabe**  
**(Class II director)**  
**Age 61**  
**Director Since 1987**

Partner in the law firm of Watanabe Ing Kawashima & Komeiji LLP.  
 Director of Hawaiian Electric Company, Inc., American Savings Bank, F.S.B., Hawaiian Electric Industries Charitable Foundation, Alexander and Baldwin, Inc., First Insurance Company of Hawaii, Grace Pacific Corporation, Loea Communications Corporation, Matson Navigation Company, Inc., and Oahu Publications, Inc. Member, Advisory Board, Oceanic Cablevision. Trustee, Children and Youth Foundation of the Philippines and Hawaii Community Foundation. Chair, Sesame Workshop, The Consuelo Zobel Alger Foundation, and The Nature Conservancy of Hawaii.

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**Continuing Class III directors whose terms expire at the 2005 Annual Meeting**

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**Don E. Carroll**  
**Age 62**  
**Director Since 1996**

**Constance H. Lau**  
**Age 51**  
**Director Since 2001**

**Bill D. Mills**  
**Age 52**  
**Director Since 1988**

Chairman of Oceanic Cablevision since February 2001. Vice president of Time Warner Cable. From 1977 to January 2001, president, chief executive officer, and director of Oceanic Cablevision.

Director of Pacific Guardian Life, Island Insurance, American Red Cross-Hawaii Chapter, Executive Board of the Boy Scouts of America-Aloha Council, The 200 Club Advisory Board, The Nature Conservancy of Hawaii, Hawaii Nature Center, and Na Koa.

Secretary-treasurer and director of the Hawaii Cable Television Association.

Chairman, Oceanic Cable Foundation and Broadband Interactive Television Advisory Board. Member, Finance Committee, Aloha United Way.

President, chief executive officer and director of American Savings Bank, F.S.B. since June 2001. Chief operating officer and senior vice president of American Savings Bank, F.S.B. from December 1999 to June 2001. From April 1989 to October 1999, Treasurer of the Company.

Director of Hawaiian Electric Industries Charitable Foundation, Hawaii Community Reinvestment Corporation and Maunalani Foundation. Director and secretary-treasurer of the Hawaii Bankers Association. Director and vice president, Consuelo Zobel Alger Foundation. Trustee, Kamehameha Schools and Punahou School. Member, Hawaii Business Roundtable.

Chairman of Mills Investment Company.

Director, Grace Pacific Corporation and Hawaii Public Television. Trustee, Hawaii Pacific University, St. Andrew's Priory, and The Nature Conservancy of Hawaii. Member, Board of Governors, Iolani School and Hawaii Community Foundation.

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**Continuing Class I directors whose terms expire at the 2006 Annual Meeting**

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**Robert F. Clarke**  
Age 61  
Director Since 1989

Chairman, president and chief executive officer of the Company.

Chairman of the board of Hawaiian Electric Company, Inc. and American Savings Bank, F.S.B. President and director of Hawaiian Electric Industries Charitable Foundation and Hycap Management, Inc. Chairman, Advisory Board for the College of Business Administration at the University of Hawaii-Manoa. Member, Oceanic Cablevision Advisory Board, Hawaii

**Shirley J. Daniel, Ph.D.,**  
C.P.A.  
Age 50  
Director Since 2002

Professor of Accountancy, College of Business Administration, University of Hawaii-Manoa since 1986.

Director of Hawaiian Electric Company, Inc., Pacific Asian Management Institute, and University of Hawaii Center for International Business Education and Research. Henry A. Walker, Jr. Distinguished Professor of Business Enterprise, College of Business Administration, University of Hawaii-Manoa. Managing director of Pacific

**A. Maurice Myers**  
Age 63  
Director Since 1991

Chairman, president and chief executive officer of Waste Management, Inc. (environmental services), Houston, Texas, since November 1999.

Chairman, president and chief executive officer of Yellow Corporation from April 1996 to November 1999.

Director of Tesoro Petroleum, Keep America Beautiful, and The National Association of Manufacturers. Member, Business Roundtable.

**James K. Scott, Ed.D.**  
Age 52  
Director Since 1995

President of Punahou School. Director of Hawaiian Electric Company, Inc., Pacific and Asian Affairs Council, Hawaii Public Television, Hawaii Association of Independent Schools and Secondary School Admission Test Board. Member, Hawaiian Educational Council and Young Presidents Organization. Trustee, Blood Bank of Hawaii.

Partnership For A Competitive Asian Center for  
Economy Board, Hawaii Entrepreneurship and  
Business Roundtable, and Air E-Business.  
Force Civilian Advisory  
Council. Trustee, Straub  
Foundation, Hawaii Pacific  
University, and the Oceanic  
Institute. Member, Finance  
Committee, Aloha United  
Way.

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## Board of Directors

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### What is the Company's philosophy on corporate governance?

In 2003, the Board of Directors and management continued to review and monitor corporate governance trends and best practices in light of new implementing rules issued by the Securities and Exchange Commission ("SEC") as well as changes to the New York Stock Exchange ("NYSE") Listed Company Manual relating to corporate governance. Based on the recommendation of the Nominating and Corporate Governance Committee, the HEI Board unanimously voted on December 16, 2003 to approve changes to the HEI Corporate Governance Guidelines, Revised Code of Conduct (which includes the code of ethics for the HEI chief executive officer, financial vice president and controller) and the charters of the Audit, Nominating and Corporate Governance, Compensation and Executive Committees. These documents as well as HEI's Revised Insider Trading Policy may be found on the Company's website at [www.hei.com](http://www.hei.com).

In January 2004, the Board determined that each of its nonemployee directors is independent under the standards of independence adopted by the NYSE.

The nonemployee directors meet regularly in executive sessions without management. These sessions are chaired by Lead Director, Bill D. Mills. Shareholders may contact (1) any member of the Board, including employee directors, or (2) just the nonemployee directors as a group, or (3) any individual director, including the Lead Director, by mail. To communicate with the Board of Directors, any individual director or any group of directors, correspondence should be addressed to the Board of Directors or any such individual director or group by either name or title. All such correspondence should be sent in care of the Corporate Secretary, Hawaiian Electric Industries, Inc., P. O. Box 730, Honolulu, HI 96808. The mail will be forwarded, unopened, to the named individual director or, in the case of a group, to the Lead Director, currently Mr. Mills.

The Company has a policy of encouraging the directors to attend each year's Annual Meeting of Shareholders. In 2003, all the directors were present at the Annual Meeting.

Since 1996, the Board of Directors has followed an annual process of evaluating the operations and effectiveness of the Board as a whole as well as self-evaluations by individual directors up for election. In reviewing the Board as a whole, directors evaluate and comment on Board structure, Board meetings (content, conduct, mechanics), Board responsibilities, performance of directors and the relationship between the Board and management. Directors who are nominees for reelection evaluate their individual meeting preparation, participation in Board meetings, contributions to the group, knowledge of the issues and concerns of the Company and understanding of the role of the Board in the governance of the Company. The Board and self-evaluation forms are submitted to the Nominating and Corporate Governance Committee for its review, after which the Committee recommends to the Board any procedures and practices to be adopted to improve the operations of the Board. The Chairman of the Nominating and Corporate Governance Committee may meet with individual directors to discuss their performance, as appropriate.

### How often did the Board of Directors meet in 2003?

In 2003, there were nine regular meetings and one special meeting of the Board of Directors. All directors attended at least 75% of the combined total meetings of the Board and Board committees on which they served (during the periods that they served).

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### How are directors compensated?

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Only nonemployee directors are compensated for their service as directors. The breakdown of their 2003 compensation is as follows:

### Stock Grant

A one-time grant of 1,000 shares of Common Stock to new directors.

600 shares of Common Stock were granted to directors for the purpose of further aligning directors' and shareholders' interests in improving stockholder value.

Fiscal Year Board Retainer commencing May 1 each year (no meeting fees are paid)

\$25,000 paid in quarterly installments. Directors are required to have attended at least 75% of the combined total of all Board meetings and all meetings of Board committees on which they serve in order to receive the fourth quarter installment.

Additional annual fees are paid in quarterly installments to directors as follows:

Lead Director	\$	10,000
Audit Committee Chair		10,000
Compensation Committee Chair		5,000
Executive Committee Chair		5,000
Nominating and Corporate Governance Chair		5,000
Audit Committee Member		5,000

### Subsidiary Board Fees

Nonemployee directors of HEI who serve on the Board of Directors of Hawaiian Electric Company, Inc. ("HECO") or American Savings Bank, F.S.B. ("ASB") received a fiscal year retainer of \$10,000 for each such Board position.

Diane Plotts, who served as chair of the HECO and ASB Audit Committees, received an additional \$5,000 annual fee for chairing each Audit Committee.

### Do nonemployee directors receive a retirement benefit?

At the meeting of the Board of Directors on December 17, 1996, the Board voted to terminate the Nonemployee Director Retirement Plan, which had been approved by the shareholders on April 17, 1990. Pursuant to the terms of the termination, the right of previously retired directors to receive benefits continues in accordance with the terms of the Plan as in effect at termination, and the present value of the accrued benefit of directors age 55 or younger or with 5 years of service or less as of April 22, 1997 has been paid out. The retirement benefit for all other directors who had been participating in the Plan (Mr. Myers and Ms. Plotts) were frozen as of December 31, 1996, and will be paid according to the terms of the Plan as in effect at termination. Accordingly, upon their retirement from service as a director, Mr. Myers and Ms. Plotts will each receive an annual payment of \$15,000 (their annual retainer in effect at December 31, 1996) for a period equal to the number of years of their active service through December 31, 1996 (7 years for Mr. Myers and 10 years for Ms. Plotts).

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### Committees of the Board

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What committees has the Board established and how often did they meet?

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The Board of Directors has four standing committees: Audit, Compensation, Executive, and Nominating and Corporate Governance. The names of the current committee members are shown on the table below. In addition, the table below also shows the number of meetings held in 2003.

Name	Audit	Compensation	Executive	Nominating and Corporate Governance
Don E. Carroll	X	X		X
Robert F. Clarke*			X	
Shirley J. Daniel	X			
Constance H. Lau*				
Victor Hao Li	X			
T. Michael May*				
Bill D. Mills		X**	X**	X
A. Maurice Myers		X		X
Diane J. Plotts	X**	X	X	
James K. Scott	X			X
Kelvin H. Taketa	X	X		X**
Jeffrey N. Watanabe				X
Number of Meetings in 2003	6	3	0	2

\*  
Employee director

\*\*  
Committee chair

### What are the primary functions of each of the four committees?

#### Audit Committee

The Audit Committee operates and acts under a written charter, which was adopted and approved by the HEI Board of Directors. The Committee provides independent and objective oversight of the Company's (1) financial reporting processes, (2) audits of the financial statements, including appointment, compensation and oversight of the external auditor, (3) internal controls, and (4) risk assessment and risk management policies set by management. The Committee also reviews and approves related party transactions and reviews and resolves complaints from any employee regarding accounting, internal controls or auditing matters. All members of the Committee are independent directors as independence for audit committee members is defined in the listing standards of the NYSE and none of them are members of audit

committees of other publicly traded companies. See pages 26 and 27 for the Audit Committee Report.

#### Compensation Committee

The Compensation Committee operates and acts under a written charter, which was adopted and approved by the HEI Board of Directors. The Committee oversees the Company's compensation and employee benefit plans and its incentive compensation and equity based plans. All members of the Committee are independent directors as defined in the listing standards of the NYSE. At least once a year, the Compensation Committee meets in executive session with the other nonemployee directors of the Board to evaluate the Chief Executive Officer's ("CEO") performance. The Committee then sets the compensation level of the CEO. See pages 20 to 24 for the Compensation Committee Report on Executive Compensation.

#### Executive Committee

The Executive Committee operates and acts under a written charter, which was adopted and approved by the HEI Board of Directors, and is authorized to act on matters brought before it when a meeting of the full Board is impractical. It may also consider any other matter concerning the Company that may arise from time to time. The Committee is comprised of independent directors as defined in the listing standards of the NYSE and the CEO.

#### Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee operates and acts under a written charter, which was adopted and approved by the HEI Board of Directors. All members of the Committee are independent directors as defined in the listing standards of the NYSE. Its functions include (1) reviewing the background and qualifications of potential nominees for the board of directors of HEI and its subsidiary companies presented by shareholders, directors and management, (2) recommending to the Board the slate of nominees to be submitted to the shareholders for election at the next Annual Meeting, (3) advising the Board with respect to matters of Board composition and procedures, (4) overseeing the annual evaluation of the Board, and (5) overseeing corporate governance matters generally. Among the qualifications considered in the selection of candidates are knowledge, experience, skills, expertise, diversity, personal and professional integrity, character, business judgment, time availability in light of other commitments, dedication, and absence of conflicts of interest.

The Committee identifies potential nominees by asking current directors and executive officers to notify the Committee if they become aware of persons meeting the above criteria and who would be available to serve on the Board. The Committee may also, from time to time, engage firms that specialize in identifying director candidates. In 2003, the Company did not pay any third party a fee to assist in the process of identifying and evaluating candidates. As mentioned above, the Committee will also consider candidates recommended by shareholders. In considering candidates, the Committee will take into consideration the needs of the Board and the qualifications of the candidate.

Once potential candidates are identified, the Committee may review publicly available information to assess whether the candidate should be considered further. If the Committee determines that the candidate warrants further consideration, the Chairman or another member of the Committee will contact the person, and if the person indicates a willingness to be considered for service on the Board, the candidate will be asked to provide information such as accomplishments and qualifications and one or more interviews may be conducted. In certain instances, Committee members may contact one or more references provided by the candidate or other members of the business community who may have greater first hand knowledge of the candidate's qualifications and accomplishments. The evaluation process does not vary based on whether or not a candidate is recommended by a shareholder.

See page 8 for a discussion concerning the involvement of this Committee on matters relating to corporate governance.

#### Stock Ownership Information

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##### How much stock do the Company's directors and executive officers own?

The following table shows how many shares of Common Stock were owned as of February 11, 2004 by each director, Named Executive Officer (as listed in the Summary Compensation Table on page 13) and by all directors and executive officers as a group.

## Amount of Common Stock and Nature of Beneficial Ownership

Name of Individual or Group	Sole Voting or Investment Power	Shared Voting or Investment Power(1)	Other Beneficial Ownership(2)	Stock Options(3)	Total
<b>Nonemployee directors</b>					
Don E. Carroll	4,130				4,130
Shirley J. Daniel	1,682				1,682
Victor Hao Li	1,287	5,346	420		7,053
Bill D. Mills	8,320		5		8,325
A. Maurice Myers	10,496	1,682			12,178
Diane J. Plotts	4,290				4,290
James K. Scott	4,242				4,242
Oswald K. Stender	1,398				1,398
Kelvin H. Taketa	3,610				3,610
Jeffrey N. Watanabe	5,404		2		5,406
<b>Employee directors and Named Executive Officers</b>					
Robert F. Clarke	20,531	9,168	1,937	91,747	123,383
Constance H. Lau	3,192		3,489	83,744	90,425
T. Michael May	10,885			51,139	62,024
<b>Other Named Executive Officers</b>					
Peter C. Lewis	5,708		438	10,573	16,719
Eric K. Yeaman	5,561				5,561
<b>All directors and executive officers as a group (17 persons)</b>	<b>100,054</b>	<b>16,196</b>	<b>6,291</b>	<b>270,284</b>	<b>392,825(4)</b>

- (1) Shares registered in name of the individual and spouse.
- (2) Shares owned by spouse, children or other relatives sharing the home of the director or officer in which the director or officer disclaims personal interest.
- (3) Stock options, including accompanying dividend equivalent shares, exercisable within 60 days after February 11, 2004, under the 1987 Stock Option and Incentive Plan.
- (4) As of February 11, 2004, the directors and executive officers of HEI as a group beneficially owned 1.0% of outstanding Common Stock and no director or officer owned more than 0.3% of such stock.

In 2003, the Board adopted stock ownership guidelines for HEI officers and directors. Each officer and director named in the guidelines, which went into effect on January 1, 2004, has five years to achieve the level of stock ownership set forth in the guidelines. The targets are as follows: 1) President and CEO of the Company 2.5 times base salary, 2) executive officers of the Company and subsidiary operating company presidents 1.5 times base salary, and 3) members of the Board of Directors of the

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Company 5 times annual cash payouts. Stock ownership will be measured on January 1 of each year based on the average price of stock for the previous calendar year. The directors and officers have until January 1, 2009 to meet the current guidelines.

### Does anyone own more than 5% of the Company's stock?

No person is known to the Company to be the beneficial owner of more than 5% of outstanding Common Stock.

### Were Section 16(a) beneficial ownership reporting forms filed with the SEC?

Based on a review of forms filed by its reporting persons during the last fiscal year, the Company believes that they complied with the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934.

### Executive Compensation

#### Summary Compensation Table

The following summary compensation table shows the annual and long-term compensation of the chief executive officer and the four other most highly compensated executive officers of the Company and its subsidiaries serving during 2003 (collectively referred to as the "Named Executive Officers").

#### SUMMARY COMPENSATION TABLE

Name and Principal Position(1)	Year	Annual Compensation			Long-Term Compensation				All Other Compensation(6) (\$)
		Salary (\$)	Bonus(2) (\$)	Other Annual Compensation (\$)	Awards		Payouts		
					Restricted Stock Award(3) (\$)	Securities Underlying Options(4) (#)	LTIP Payouts(5) (\$)		
<b>Robert F. Clarke</b> Chairman, President & CEO	2003	681,000	610,107	0	0	50,000	548,463	14,898	
	2002	653,000	785,533	0	0	50,000	266,000	14,076	
	2001	630,000	382,906	0	0	50,000	233,179	39,803	
<b>Constance H. Lau</b> President & CEO, American Savings Bank, F.S.B.	2003	517,000	579,177	0	0	25,000	228,260	N/A	
	2002	458,000	456,378	0	0	25,000	65,705	N/A	
	2001	355,000	161,717	0	0	20,000	41,134	N/A	
<b>T. Michael May</b> President & CEO, Hawaiian Electric Company, Inc.	2003	513,000	294,012	0	0	25,000	154,368	8,208	
	2002	472,000	286,960	0	0	25,000	150,645	7,314	
	2001	415,000	163,257	0	0	20,000	54,540	18,881	
<b>Eric K. Yeaman</b> Financial Vice President, Treasurer and Chief Financial Officer	2003	293,000	174,172	0	206,450	10,000	71,556	911	
<b>Peter C. Lewis</b> Vice President	2003	251,000	101,204	0	0	10,000	162,207	14,442	
	2002	239,000	184,323	0	0	10,000	78,600	13,090	

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Administration and Secretary	2001	225,000	108,784	0	0	5,000	62,100	27,797
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- (1) Eric K. Yeaman became Financial Vice President, Treasurer and Chief Financial Officer effective January 15, 2003.

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- (2) The Named Executive Officers are eligible for an incentive award under the Company's annual Executive Incentive Compensation Plan ("EICP"). EICP bonus payouts are reflected as compensation for the year earned.

- (3) On August 11, 2003, 5,000 shares of restricted stock were granted to Mr. Yeaman. On the date of the grant, the closing price of HEI Common Stock was \$41.29 on the New York Stock Exchange. Quarterly dividends on the 5,000 shares of restricted stock are paid to Mr. Yeaman. The 5,000 shares of restricted stock become unrestricted on August 11, 2006. On December 31, 2003, the restricted stock value was \$236,850 based on the closing price of HEI Common Stock of \$47.37 on the New York Stock Exchange.

- (4) Options granted earn dividend equivalents as further described below under the headings "Option Grants in Last Fiscal Year" and "Aggregated Option Exercises and Fiscal Year-End Option Values."

- (5) Long-Term Incentive Plan ("LTIP") payouts are determined in the first quarter of each year for the three-year cycle ending on December 31 of the previous calendar year.

- (6) Represents amounts attributable each year by the Company for certain preretirement death benefits provided to the Named Executive Officers, except Ms. Lau. See the Compensation Committee Report on page 24 under the heading "Other Compensation Plans" for a discussion of the preretirement death benefits.

#### Option Grants in Last Fiscal Year

The following table presents information on the nonqualified stock options which were granted to the five Named Executive Officers during 2003 (on April 21, 2003). The practice of granting stock options, which include dividend equivalent shares, has been followed each year since 1987.

#### OPTION GRANTS IN LAST FISCAL YEAR

Name	Number of Securities Underlying Options Granted(1) (#)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price (\$/share)	Expiration Date	Grant Date Present Value(2) (\$)
Robert F. Clarke	50,000	22%	\$ 40.98	April 21, 2013	\$ 455,000
Constance H. Lau	25,000	11	40.98	April 21, 2013	227,500
T. Michael May	25,000	11	40.98	April 21, 2013	227,500
Peter C. Lewis	10,000	4	40.98	April 21, 2013	91,000
Eric K. Yeaman	10,000	4	40.98	April 21, 2013	91,000

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(1)

These options vest in four equal annual installments. Additional dividend equivalent shares are granted at no additional cost throughout the four-year vesting period. Dividend equivalents are computed, as of each dividend record date throughout the four-year vesting period, both with respect to the number of shares under the option and with respect to the number of dividend equivalent shares previously credited to the Named Executive Officer and not issued during the period prior to the dividend record date. Accelerated vesting is provided in the event a change-in-control occurs. No stock appreciation rights have been granted under the Company's stock option plans.

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(2)

Based on a Binomial Option Pricing Model, which is a variation of the Black-Scholes Option Pricing Model, calculated by the Compensation Committee's independent compensation consulting firm. The Binomial Value adjusted for forfeiture risk is \$9.10 per share. The following assumptions were used in the model: Stock Price: \$40.98; Term: 10 years; Volatility: .1841; Risk-free Interest Rate: 4.37%; and Dividend Yield: 6.64%. The following were the valuation results: Binomial Option Value: \$4.86; Dividend Credit Value: \$4.24; and Total Value: \$9.10.

In calculating the grant date present values set forth in the table, the volatility and dividend yield were based on the monthly closing stock prices and dividends for the three-year period preceding the grant date. The risk-free interest rate was fixed on the date of grant at the rate of return on a stripped U.S. Treasury Bill with a term to maturity approximately equal to the options' expected life. Dividend equivalents are payable on the options for a period of four years. The value of the dividend equivalents was determined on the basis of the dividend yield, using the monthly closing stock prices and dividends for the three-year period preceding the grant date. The use of different assumptions can produce significantly different estimates of the present value of options. Consequently, the grant date present value set forth in the table is only theoretical and may not accurately represent present value. The actual value, if any, an optionee will realize will depend on the excess of the market value of the Common Stock over the exercise price on the date