Dear HEI Shareholder,

The HEI Board of Directors and management team are focused on serving our customers and communities sustainably and reliably, while also driving superior long-term value to our shareholders. HEI has outperformed the S&P 500 and broader utility index in total shareholder return over one-, three- and five-year periods, with our stock price currently at a near-record high. At the same time, we have aggressively pursued some of the nation’s most ambitious renewable energy goals.

This week, Jeff Ubben, founder of the ValueAct Spring Fund, published a letter to the community of Hawaii. Frankly, the letter is disappointing. While Jeff Ubben is entitled to his own opinion, he is not entitled to his own facts. The letter is a misguided, factually inaccurate and misleading attack on HEI, Hawaiian Electric and our commitment to renewable energy, the state of Hawaii and our valued customers and investors.

The ValueAct Spring Fund has been a shareholder of HEI for just over a year and is new to getting to know Hawaii and the community our company has served for 128 years. ValueAct has raised the issues in their letter in the past, and we’ve addressed those directly with Mr. Ubben and his ValueAct colleagues. They don’t seem interested in the facts but rather seem intent on pursuing their own agenda – specifically, handpicking a CEO for HEI.

The attached document details the real facts on the strength of the business, our commitment to delivering value to our customers and all shareholders, and our path toward a more sustainable and prosperous future for Hawaii and our communities. We encourage you to read it.

We have a strong, capable, independent Board of Directors that takes succession planning seriously and has robust, timely and appropriate succession planning processes in place. The Board has recently added new directors (including one suggested by ValueAct) as part of our ongoing board refreshment process and to maintain the diversity of experience and expertise necessary to oversee the company’s strategic direction, including our move to a renewable and sustainable future.

ValueAct’s activities should be viewed in the context of its substantial conflicts of interests in Hawaii. ValueAct has a significant interest in AES – much larger than its investment in HEI – and Mr. Ubben sits on AES’ Board. While AES has been an important and valued participant in the Hawaii energy ecosystem, it does have competitive and contractual interests in Hawaii, including winning bids to build solar plus storage projects under Stage 1 of our renewable RFP, owning a wind farm under construction on Oahu which will sell power to our utility, and operating a coal plant under a contract with our utility that expires in 2022.

At HEI, we see a vibrant future for Hawaii – one that puts our state at the forefront of clean energy, creates a sustainable and growing local economy, and allows our families and communities to flourish. The HEI Board of Directors and management team are fully focused on and committed to delivering on this promise.

Thank you for your investment and continued support of our company.

Sincerely,

HEI Board of Directors

By  

Jeff Watanabe, Chair
Delivering Value to Customers, Communities and Shareholders

Investing in Hawaii’s Sustainable Future has Delivered Value for Shareholders and Proven Performance

HEI’s strategy has provided superior long-term value to our shareholders
- Outperformed S&P 500 and broader utility index in total shareholder return over one- and three-year periods¹
- 11% 5-year total return (CAGR%) for period ending 12/31/19

Delivered strong consolidated earnings growth on both a GAAP (+22%) and core (+12%) basis for FY18²; on track to meet our earnings guidance for 2019³

Uninterrupted dividends since 1901, with ~$600 million returned to shareholders in dividends over last 5 years
- Increased quarterly dividend by 3.2% in 2019 given strong earnings growth and future prospects, with potential to grow dividend in line with earnings
- 2.8% dividend yield as of market close on 1/9/20

Investing additional ~$1.2 billion from 2019-21 to integrate more renewable energy, modernize our grid, increase customer options and strengthen reliability and resilience

Consolidated enterprise and efficient capital structure provide the capital to grow our businesses and invest in Hawaii while limiting need for dilutive equity
- Dividends from subsidiaries have increased ~30% since 2017, with dividend from bank growing nearly 50%, supportive of our investment grade rating and enabling recent dividend increase
- Able to fund utility 2019-21 capex program without external equity
Committed to Achieving Hawaii’s Renewable Energy Goals while Ensuring Affordability, Reliability and Resilience

Named 2019 Utility of the Year by Utility Dive for leading role in advancing state policy goals of 100% renewable portfolio standard (RPS) and carbon neutral economy by 2045

- On track to exceed 2020 RPS milestone of 30%[^4]
- Key role of utility is to facilitate community-wide transition to renewable energy and carbon neutrality

Rapidly working to reduce greenhouse gas emissions

- Reduced fossil fuel use – and greenhouse gas emissions – by 19% over past 10 years and ahead of state milestone
- Cut oil imports by ~88 million gallons per year for electricity generation
- Coal plant contract expires in 2022, additional fossil plant retiring by 2024, if not sooner

Launched ambitious renewable procurements to significantly increase renewable energy

- Secured lowest cost solar plus storage prices ever in HI, with Hawaii Public Utilities Commission approving contracts for 260 MW of solar and ~1 GWh of storage in 2019
- Subsequently launched one of the largest renewable energy procurements undertaken by a U.S. utility for up to 900 MW renewable energy, 500 GWh storage, and 210 MW grid services
  » Received more than 75 bids to build renewable energy or storage projects, or provide grid services

Aligned with state policy and transforming utility to achieve state policy goals

- Conducted long-term planning with stakeholder engagement for state to reach 100% RPS goal by 2045
- Next phase of long-term planning underway with focus on resilience
- Collaborating with stakeholders to evolve Hawaii regulatory framework to further advance policy goals

We have the nation’s highest percentage of rooftop solar and we plan to grow that dramatically

- 18% of our customers have rooftop solar, 9 times the national average of 2%
- On Oahu, 1 in 3 single-family homes have rooftop solar
- By 2045 we envision meeting the needs of all single-family homes with customer-sited resources
- Rooftop solar helps ensure that limited land is available for other community needs, such as affordable housing and local agriculture
- National leader and innovator integrating high levels of intermittent, customer-sited solar:
  » Using innovative inverter technologies to manage distributed resources
  » Managing grid to ensure reliability with high levels of variable, intermittent distributed sources
  » Expertise routinely sought by other utilities

Unique geographic operating environment underpins our focus on resilience

- Five isolated island grids, which are not connected to other power sources (like grids on the mainland U.S.)
- Each island must be self-sufficient and preserve its own reliability as we expand renewables
Our mission is to be a catalyst for a better Hawaii through our three lines of business – utilities, banking and sustainable infrastructure

- As an enterprise with operations entirely in Hawaii, we have long recognized that the strength of our companies is inextricably linked to the health of our environment, economy and communities

ESG is in our DNA, and embedded in our core strategies across our three lines of business

- **Utility**: Focused on achieving Hawaii’s 100% renewable energy and carbon neutral economy goals in a way that’s affordable, reliable and resilient for our customers
- **Bank**: Investing in economic growth of our state; fostering innovation and entrepreneurship to diversify and expand our economy
- **Pacific Current**: Developed with mission to advance Hawaii’s sustainability goals through investment in clean energy, water, wastewater and agriculture

Integrating ESG even further into governance structures, decision-making processes and reporting

- Conducted ESG materiality assessment for all companies within enterprise
- Board strategic retreat to oversee development of ESG assessment and strategy
- Formalizing ESG integration into risk management and strategic planning

Approved corporate governance enhancements

- Board recently approved corporate governance enhancements that will be voted upon at our May 2020 annual meeting of shareholders, including proposals to declassify the Board and adopt a majority voting standard in uncontested director elections
Strong, Capable, Independent Board of Directors

Strong Board reflects key expertise, including significant C-Suite, utility and banking experience

Focused on Board and management succession planning following 2016 termination of NextEra Energy merger process

Since 2017, added five new directors as part of ongoing Board refreshment and to maintain diversity of experience and the expertise necessary to oversee the strategic direction of our companies:

- **Celeste Connors**: Expertise in sustainability, energy and economic policy, and Hawaii business, government and non-profit communities; CEO, Hawaii Green Growth
- **Richard Dahl**: Expertise and senior leadership experience in banking and utilities; former President & COO, Bank of Hawaii (Member, HEI Audit and Compensation Committees)
- **Micah Kane**: Extensive government and policy experience as leader of Hawaii governmental and non-profit agencies; deep understanding of Hawaii’s business and political environment; CEO, Hawaii Community Foundation (Member, HEI Nominating & Corp. Gov. Committee)
- **Mary Powell**: Significant experience in utilities and renewable energy; President and CEO, Green Mountain Power since 2008 (serves on HEI and ASB boards)
- **Jim Scilacci**: Track record of value creation and financial leadership in utilities industry; former CFO, Edison International (HEI Audit Committee Chair)

**Average independent director tenure of 7.7 years**

Recently made Board leadership changes as part of planned transition:

- Peggy Fowler appointed Chair, Nominating & Corporate Governance Committee
- Jim Scilacci appointed Chair, Audit Committee
- Admiral Thomas Fargo named Vice Chair of the Board
- Jeff Watanabe, Board Chair, nominated and elected to a single one-year term

**Substantial diversity on Board provides range of perspectives**

- 60% of our directors are women or from diverse ethnic backgrounds

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1. As of December 31, 2019.
2. 2018 core earnings growth excludes one-time tax reform impacts that reduced net income in 2017. HEI 2018 net income was $201.8 million. HEI 2017 net income was $165.3 million on a GAAP basis and, excluding one-time tax reform impacts of $14.2 million, was $179.5 million on a non-GAAP (core) basis.
3. Reaffirmed on earnings webcast Nov. 1, 2019. This document is not a reaffirmation of such guidance.
4. This is despite challenges such as lava flows that have taken a third party-owned geothermal plant on Hawaii Island out of service since May 2018 and a Hawaii Supreme Court action delaying a third party-owned biomass plant.