

**CHARTER OF THE AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS OF  
HAWAIIAN ELECTRIC INDUSTRIES, INC.  
ADOPTED SEPTEMBER 17, 2002  
(AS AMENDED DECEMBER 13, 2005)**

**Purpose**

There shall be a committee of the board of directors (the "Board") of Hawaiian Electric Industries, Inc. ("HEI" or the "Company") to be known as the audit committee (the "Committee"). The Committee shall assist the Board in fulfilling its oversight responsibilities. The Committee's primary duties and responsibilities are to:

- Comply with all applicable laws and regulations and rules of the Securities and Exchange Commission ("SEC") and New York Stock Exchange ("NYSE") and Sarbanes Oxley Act of 2002 (the "Act").
- Monitor the quality and integrity of the Company's financial statements, financial reporting process and systems of internal controls regarding risk management, finance, accounting, and legal and regulatory compliance.
- Monitor the independence and qualifications of the Company's registered public accounting firm engaged for the purpose of preparing or issuing an audit report for inclusion in the Company's Annual Report on Form 10-K (referred to herein as the "independent auditors"); further, monitor the performance of the independent auditors and the Company's internal auditing function.
- Provide an avenue of communication among the independent auditors, management, the Company's internal auditing function and the Board.
- Issue the report pursuant to Item 306 of Regulation S-K of the SEC that is required to be included in the Company's annual proxy statement.

**Membership**

The Committee shall be composed of directors who are independent of the management of the Company and are free of any relationship that, in the opinion of the Board, might interfere with their exercise of independent judgment as a committee member.

The Committee will consist of a minimum of three members who shall be appointed annually by the Board. New members will be proposed by the nominating and corporate governance committee for approval and appointment by the Board. Vacancies on the Committee shall be filled by majority vote of the Board at the next meeting of the Board following the occurrence of the vacancy. No member of the Committee shall be removed except by majority vote of the Board. Each member of the Committee shall be qualified to serve thereon under the requirements of the NYSE and any additional requirements that the Board deems appropriate.

A chairperson of the Committee shall be appointed by the Board. The Committee shall meet no less than four times a year. The chairperson of the Committee or a majority of the members of

the Committee may also call a special meeting of the Committee. The Committee, in its discretion, may ask members of management or others to attend its meetings (or portions thereof) and to provide pertinent information as necessary. A majority of the members of the Committee present in person or by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other shall constitute a quorum.

## **Responsibilities**

The Committee shall provide assistance to the Board in fulfilling its responsibility to the shareholders, potential shareholders, and investment community relating to risk management, corporate accounting, reporting practices of the Company, and the quality and integrity of the financial reports of the Company. In so doing it is the responsibility of the Committee to maintain free and open means of communication among the independent auditors, those responsible for the internal auditing function, management of the Company and the Board.

In carrying out these responsibilities, the Committee will:

1. Have sole authority (subject to shareholder ratification, if applicable) to retain and terminate the independent auditors who will audit the books of the Company and its subsidiaries (with the input, if the Committee so desires, of Company management and, as appropriate, management and boards of directors of the Company's subsidiaries). The independent auditors are ultimately accountable to the Committee.
2. Have sole authority to approve the independent auditors' fee arrangements and other terms of service, and to approve all non-audit engagements of the independent auditors permitted by the Act, including the fees therefore and the terms of service (in each case, with the input, if the Committee so desires, of Company management and, as appropriate, management and boards of directors of the Company's subsidiaries). Approvals of all audit and, as provided in the Act and the SEC rules and regulations promulgated thereunder, all permitted non-audit services will be made in advance of the provision of such services. The Committee may delegate the preapproval of audit and permitted non-audit services to one or more of its members, provided that such members shall report any such approvals to the full committee.
3. At least annually, obtain and review a report by the independent auditors describing:
  - (a) The independent auditors' internal quality-control procedures;
  - (b) Any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditors, and any steps taken to address any such issues; and
  - (c) All relationships between the independent auditors and the Company (in order to assess the independence of the independent auditors).

4. Evaluate the qualifications, independence and performance of the Company's independent auditors and in its sole discretion (subject, if applicable, to shareholder ratification), make decisions regarding the replacement or termination of the independent auditors when circumstances warrant. In making its evaluation, the Committee will consult with management. The Committee will present its conclusions with respect to the independent auditor to the full Board.
5. Meet with the independent auditors, those responsible for the internal auditing function, and management of the Company to review the scope of the proposed audit for the current year and the audit procedures to be utilized, monitor such plan's progress and results during the year, and, at the conclusion thereof, review such audit including any comments or recommendations of the independent auditors.
6. Review with the independent auditors, those responsible for the internal auditing function, and Company management the adequacy and effectiveness of the risk, financial, accounting and internal controls of the Company as well as of the disclosure controls and procedures of the Company, and elicit any recommendations that they may have for the improvement of such internal and disclosure control procedures or particular areas where new or more detailed controls or procedures are desirable. Particular emphasis will be given to the adequacy of such internal controls to expose any payments, transactions or procedures which might be deemed illegal or otherwise improper and the adequacy of disclosure controls to identify on a timely basis material information that should be disclosed to current and prospective investors. Further, the Committee will periodically review the Company's Corporate Code of Conduct. The Committee will also periodically discuss the Company's major financial risk exposures and steps management has taken to monitor and control such exposures.
7. Review periodically the Company's administrative, operational and auditing internal controls and evaluate whether the Company is operating in accordance with its prescribed policies, procedures and the Company's Corporate Code of Conduct with the chief executive officer and chief financial officer and independent auditors.
8. Regularly review the responsibilities, budget, staffing and performance of the internal audit function of the Company. The Company's Director of Enterprise Risk shall assist the Committee, at the Committee's direction, in the coordination with any outsourced internal audit services. Any third party provider that provides the Company's internal auditing function shall not also function as the Company's independent outside auditor. The Committee shall annually review and approve the internal audit plan and discuss any changes in the scope of the audit plan. The Committee shall review the results of the internal audit process with management and those responsible for the internal audit function, including significant findings, management's responses thereto, and the status of corrective actions or implementation of recommendations.
9. Discuss with management, the Company's independent auditors, and, if appropriate, those responsible for the internal audit function, the following information which is required to be reported by the independent auditor:

- a. Major issues regarding the accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies.
  - b. The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
10. Receive and discuss periodic reports from the independent auditors, those responsible for the internal audit function, and management on significant accounting or financial reporting developments that may have a bearing on the Company in order to assess the impact on the Company.
11. Receive and review (1) pension audits of the HEI Retirement Plan, American Savings Bank, F.S.B. Retirement Plan, Postretirement Welfare Benefits Plan for Employees of Hawaiian Electric Company, Inc. ("HECO") and Participating Employees and (2) HEI Retirement Savings ("HEIRS") (401-K) Plan audits.
12. Meet to discuss the disclosures and quarterly financial statements contained in the quarterly reports of HEI and HECO on SEC Form 10-Q, including the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," with management and with the independent auditors to determine that the independent auditors concur with the disclosure and content of the financial statements presented to the shareholders. Any material changes in accounting principles or accounting for new significant items will be reviewed.
13. Prior to the release of the annual report to shareholders and the reports of HEI and HECO on SEC Form 10-K, discuss disclosures and the financial statements to be contained therein, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," with management and with the independent auditors to determine that the independent auditors concur with the disclosure and content of the financial statements to be presented to the shareholders. Any material changes in accounting principles or accounting for significant new items will be reviewed.
14. Meet to discuss periodically the Company's earnings press releases (especially the use of "pro forma" or "adjusted" information not prepared in compliance with generally accepted accounting principles), as well as financial information and earnings guidance (if any) provided by the Company to analysts and rating agencies. This responsibility may be discharged generally (i.e., the Committee may discuss the types of information to be disclosed and the types of presentation to be made), and does not require that each earnings release or each provision of financial information and earnings guidance (if any) be discussed in advance.
15. Meet separately, periodically, with management, those responsible for the internal auditing function, and with independent auditors.

16. At all of its meetings make sufficient opportunity available for the independent auditors to meet with the members of the Committee without members of management present. The Committee must regularly review with the independent auditors any difficulties the auditor encountered in the course of the audit work, including any restrictions on the scope of the independent auditors' activities or on access to requested information, and any significant disagreements with management.
17. Attempt to resolve all disagreements between the Company's independent auditors and management regarding financial reporting.
18. With respect to the hiring by the Company of current or former employees of the Company's independent auditors or any third party responsible for the internal auditing function, it is the policy of the Company that the hiring of any such current or former employee of the independent auditors must be approved in advance by the Committee, and that no current or former employee of the independent auditor or third party responsible for the internal auditing function who, within one year prior to the initiation of the audit, participated in any capacity in the Company's audit shall be hired in a financial reporting oversight role, as defined in Rule 2-01 of Regulation S-X under the Securities and Exchange Act of 1934.
19. Minutes of all meetings of the Committee shall be submitted to the Board of the Company for ratification. The Committee shall further report regularly to the full Board and will review with the full Board any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors, the performance of those responsible for the internal auditing function, and other matters of importance to the full Board.
20. Issue the report pursuant to Item 306 of Regulation S-K of the SEC that is required to be included in the Company's annual proxy statement addressing the Committee's review of the Company's financial statements, certain communications with management and with the independent auditors, the Committee's recommendation as to whether the financial statements should be included in the Company's annual report on Form 10-K.
21. Review the Company's policies relating to the ethical handling of conflicts of interest and review past or proposed transactions between the Company and members of management. The Committee shall consider the results of any review of these policies and procedures by the Company's independent auditors or those responsible for the internal auditing function. The Company's Director of Enterprise Risk shall coordinate the review of the CEO expense accounts with those responsible for the internal auditing function, who shall report their findings to the Chair of the Committee.
22. At least annually, review the Company's Corporate Code of Conduct and the Company's program to monitor compliance with the Company's Corporate Code of Conduct, and meet periodically with HEI's Compliance Officer to discuss compliance with the Corporate Code of Conduct.

23. Maintain procedures, as set forth in Annex A hereto, for the receipt, retention and treatment of complaints received by the Company regarding financial statement disclosures, accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding financial statement disclosures, accounting, internal accounting controls or auditing matters.
24. Cause to be made an investigation into any appropriate matter brought to its attention within the scopes of its duties, with the power to retain outside counsel for this purpose if, in its judgment, that is appropriate.
25. The Committee shall, on an annual basis, evaluate ~~the scope of this Charter and the~~ Committee's performance thereunder. The Committee shall deliver to the Board a report setting forth the results of its evaluation, including any recommended amendments to this Charter and any recommended changes to the Company's or the Board's policies or procedures. The Committee shall address all matters that the Committee considers relevant to its performance.
26. Obtain advice and assistance from outside legal, accounting or other advisors, as appropriate in the course of fulfilling its duties without the necessity of seeking Board approval, the cost of such advisors to be borne by the Company.
27. Perform such additional activities, and consider such other matters, within the scope of its responsibilities, as the Committee or the Board deems necessary or appropriate.

In carrying out its responsibilities, the policies and procedures of the Committee should remain flexible in order that it can best react to changing conditions and assure the directors and shareholders that the corporate accounting and reporting practices of the Company are in accordance with all requirements and are of the highest quality.

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While the Committee has the duties and responsibilities set forth in this Charter, the Committee is not responsible for preparing or certifying the financial statements, for planning or conducting the audit or for determining whether the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles.

In fulfilling their responsibilities hereunder, it is recognized that members of the Committee are not full-time employees of the Company, it is not the duty or responsibility of the Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures or to set auditor independence standards, and each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Company from which it receives information and (ii) the accuracy of the financial and other information provided to the Committee, in either instance absent actual knowledge to the contrary.

Nothing contained in this charter is intended to create, or should be construed as creating, any responsibility or liability of the members of the Committee, except to the extent

otherwise provided under the applicable state and federal laws or the listing requirements of the NYSE which shall continue to set the legal standard for the conduct of the members of the Committee.

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## Annex A

### **Procedures for the Submission of Complaints or Concerns Regarding Financial Statement Disclosures, Accounting, Internal Accounting Controls or Auditing Matters**

1. Employees may submit any concerns or complaints regarding financial statement disclosures, accounting, internal accounting controls or auditing matters to their respective controller, chief financial officer, president, compliance officer or the Hawaiian Electric Company ("HECO") General Counsel, any of whom must promptly notify the HEI Compliance Officer designated in the Corporate Code of Conduct. *The Company is committed to the policy that no one will be subject to retaliation because of a good faith report of a concern or complaint regarding financial statement disclosures, accounting, internal accounting controls or auditing matters or any suspected violation of Company policy or the law.*
2. Non-employees may communicate concerns and complaints regarding financial statement disclosures, accounting, internal accounting controls or auditing matters to HEI's Compliance Officer by regular mail at the following address: HEI Compliance Officer, P.O. Box 730, Honolulu, Hawaii 96808.
3. The Company shall forward to the Audit Committee of the Board of Directors any complaints that it has received regarding financial statement disclosures, accounting, internal accounting controls or auditing matters.
4. Any employee of the Company may submit, on a confidential, anonymous basis if the employee so desires, any concerns regarding financial statement disclosures, accounting, internal accounting controls or auditing matters by setting forth such concerns in writing and forwarding them in a sealed envelope to the Chair of the Audit Committee, in care of the HEI Corporate Secretary, such envelope to be labeled with a legend such as: "To be opened by the Audit Committee only." If an employee would like to discuss any matter with the Audit Committee, the employee should indicate this in the submission and include a telephone number at which he or she might be contacted if the Audit Committee deems it appropriate. Any such envelopes received by the HEI Corporate Secretary shall be forwarded promptly to the Chair of the Audit Committee. Upon receipt of any complaint or concern with respect to HECO or American Savings Bank, F.S.B. ("ASB"), the Chair of the Audit Committee shall promptly forward a copy of the complaint or concern to the chair of the audit committee of HECO or ASB, as appropriate. The Company will maintain the confidentiality of such reports to the extent reasonably possible.
5. The Company informs employees of their obligation to report and the procedures by which to report concerns regarding financial statement disclosures, accounting, internal accounting controls or auditing matters in the Corporate Code of Conduct, which is distributed to all employees and is available on the Company's Internet website, and in this Annex to the Charter, which is available on the Company's Internet website.

6. At each of its meetings, including any special meeting called by the Chair of the Audit Committee following the receipt of any information pursuant to this Annex, the Audit Committee shall review and consider any such complaints or concerns that it has received and take any action that it deems appropriate in order to respond thereto, *provided, however*, that the Chair of the Audit Committee will consult with the chair of the audit committee of HECO or ASB, as appropriate, before any decision is made with respect to the handling of a complaint or concern involving either of those companies.
7. The Audit Committee shall retain any such complaints or concerns for a period of no less than 7 years.
8. This Annex A shall appear on the Company's website as part of this Charter.