



Leading Change – Board and Investor Perspectives

On July 19, 2016, the NIRI Los Angeles Chapter joined with the National Association of Corporate Directors to host Ted Craver, Chairman and CEO of Edison International, at the California Club in downtown Los Angeles. Mr. Craver leads the 130 year-old Edison in its service of more than 14 million customers across southern California and was instrumental in Edison's leadership in the pursuit of energy efficient and carbon emission reduction.

One of southern California's most influential CEOs, Mr. Craver shared with us his insights on corporate governance and investor relations from more than 40 years in highly regulated industries.

Investor Relations Takeaways:

- Unlike many utility companies that are strictly yield focused, Edison faces the IR challenge of helping investors understand that it is a high growth company that also pays an attractive dividend. Mr. Craver stressed that investor education is a constant effort and that IROs must regularly evaluate how to educate their investor base.
- The company's goal is to keep the board well aware of the full range of investors in the stock and analysts covering it. Edison invites analysts and portfolio managers to an annual investor day and purposely includes fringe viewpoints to ensure a full spectrum of perspectives.
- Insulating the board from direct investor contact, however, is important. Edison makes clear which company officers are investor spokespeople and strives to make them available.
- Mr. Craver says the IRO relationship is built on trust, confidence and partnership. An IRO must have knowledge of nuances of the business and political, regulatory, technology and financial issues facing the company at all times.

Key Governance Takeaways:

- Edison has set the mandatory board retirement age at 72 for directors and 65 for the CEO. Mr. Craver believes this structure benefits the company by providing a natural way to refresh the board and bring in new perspectives.
- Given higher than average board turnover, Edison created a template for new board members. New members receive a comprehensive set of materials and meet in person

with the management team. Mr. Craver also ensures that each new board member attends an in-person meal at his home to help establish a rapport.

- Mr. Craver stressed that diversity is very important to a healthy board. Edison has three women and three Latino members of the board.
- Edison recently announced plans to separate the chairman and CEO roles. Edison took extra care to manage expectations internally and set a clear role for what the non-executive chairman would and wouldn't do. Importantly, Edison has designated the CEO as the lead voice to the public and investors.
- The Edison board is deeply involved in cybersecurity issues. The company formed an internal management cyber oversight group and has an annual board discussion and education session on cybersecurity.
- Mr. Craver recommends companies communicate "early and often" with regulators and to be forthright and honest to build trust. Trust is critical in tough times and breaks down if you don't give them the "straight scoop."