

Leading Change – Board and Investor Perspectives, a Conversation with Ted Craver – July 19, 2016

NACD Southern California and NIRI Los Angeles hosted a joint lunch event on Tuesday, July 19, 2016, at the California Club in downtown Los Angeles.

Ted Craver, Chairman and CEO of Edison International (“Edison”) was featured as the keynote speaker. The conversation was facilitated by Scott Cunningham, Vice President, Investor Relations, Edison International and David Rosenblum, President, NACD Southern California.

Key Takeaways:

Leadership in Transformative Times

During Craver’s tenure, the utility industry has experienced a tremendous transformation and is expected to change more in the next 10 years than we have seen in Edison’s 130 year history. Contrary to traditional energy companies, Edison has repositioned itself as a distributor, not a generator of electricity. This allows the Company to invest in a larger and more effective network, rather than spending money and other resources on power generation. Craver noted the importance of getting management onboard with the transition and getting investors to embrace the change.

Investor Relations a Priority – Direct Access Considerations

Edison is a high-growth, lower-yield stock while the typical utility investor looks for predictability, low volatility, and a large dividend. This creates the need for a robust, proactive investor relations program. Craver dedicates personal time to investor relations and makes sure that the board stays current on what investors and research analysts think about the Company’s strategies. While Edison has invited investors and analysts to make presentations to the board, Edison discourages direct access to their board members, encouraging investors to go through management, who are considered the spokespeople of the Company. This policy is clearly outlined in Edison’s corporate governance policy.

Board Tenure and Onboarding

Edison’s approach to board and management shifts, onboarding and overall dynamic is unique. The Company has strict tenure and age limits, which allows for frequent refreshment of the board and the ability to broaden the board’s skill set and experience. Edison takes a very structured and more personal onboarding process than most, including a welcome dinner at Craver’s home.

Upon Craver’s retirement, the Company will separate the CEO and chairman roles, bringing on Pedro J. Pizarro as the new CEO and William P. Sullivan as the new executive chairman. Craver emphasized the importance of defining the roles of the CEO and the executive chairman and for the board to make sure this relationship works well and supports decision making that is best for the Company.

Cybersecurity Risk Management

A large part of the energy industry’s transformation is in technology innovation and a move towards more computerized systems. Any time a company moves into the digital space, cybersecurity risks

increase exponentially and could be a “game-over” issue if proper precautions are not taken. Since Edison largely relies upon outside manufacturers for most of their system’s components, these risks are particularly high and the Company must constantly conduct audits and question security measures in place. Edison has formalized a cybersecurity team led by board member Ellen Tauscher that ensures the board members are regularly briefed on cybersecurity.