



# Sempra Energy Compensation Committee Charter

**The Compensation Committee is a committee of the Board of Directors of Sempra Energy. Its charter was adopted (as amended) by the board on June 21, 2017.**

## **I. Purpose and Responsibilities**

The purpose of the Compensation Committee of the Board of Directors is to assist the board in discharging the board's responsibilities relating to the evaluation and compensation of executives and to oversee, as plan administrator, the corporation's benefit plans and programs.

The Compensation Committee establishes the corporation's compensation principles and policies and designs and oversees the corporation's executive compensation program. It has direct responsibility to:

- Review and approve corporate goals and objectives relevant to chief executive officer compensation.
- Evaluate the chief executive officer's performance in light of the corporate goals and objectives approved by the committee.
- Determine and approve (and recommend for ratification by the board, acting solely through the independent directors) the chief executive officer's compensation level based on the committee's performance evaluation.
- Determine and approve (and periodically review with the board) other executive officer compensation.
- Make recommendations to the board with respect to incentive compensation plans and equity-based plans that are subject to board approval.
- Produce a committee report on executive compensation as required by the Securities and Exchange Commission to be included in the corporation's proxy statement.
- Evaluate and oversee risk in compensation programs.

The Compensation Committee also performs the other duties enumerated in this charter or otherwise delegated to the committee by the board and any duties assigned to the committee by the terms of any incentive compensation plan or equity-based plan.

## **II. Structure**

### **2.1 Membership**

The committee consists of no fewer than three members of the board. The committee's members, including its chair, are appointed by the board. The board also may appoint one or more directors as alternate members of the committee to replace any absent member at any committee meeting.

Each member and alternate member of the committee must (i) be "independent" within the meaning of the corporation's Corporate Governance Guidelines, the rules of the New York Stock Exchange, and Rule 10C-1 under the Securities Exchange Act of 1934 ("Exchange Act"), (ii) be a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act, and (iii) be an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986.

All committee members and alternate members serve at the pleasure of the board and any member or alternate member may be removed, with or without cause, by the board.

### **2.2 Power and Authority**

In addition to the powers and responsibilities expressly delegated to the committee in this charter, the committee may exercise any other powers and carry out any other responsibilities from time to time delegated to it by the board.

The powers and responsibilities delegated to the committee may be exercised in any manner the committee deems appropriate (including delegation to subcommittees) and without any requirement for board approval except as otherwise specified in this charter or the board's delegation. Any decision by the committee, including any decision to exercise or refrain from exercising any of its delegated powers, is at the committee's sole discretion. While acting within the scope of the powers and responsibilities delegated to it, the committee may exercise all the powers and authority of the board and, to the fullest extent permitted by law, has the authority to determine which matters are within the scope of its delegated authority.

### **2.3 Compensation Consultants and Other Experts and Advisors**

The committee has the sole authority to retain and terminate and approve the fees and other retention terms of compensation consultants used to assist the committee in performing its duties and responsibilities, including its evaluation of director, chief executive officer or senior executive compensation. The committee also has the authority to retain independent counsel and other consultants, experts and advisors (accounting, financial or otherwise) and also may use the services of the corporation's regular counsel or other advisors to the corporation. The committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultants, legal counsel or other advisers retained by the committee. The corporation will provide appropriate funding, as determined by the committee, for payment of compensation to any such persons retained by the committee. Subject to any exceptions under the New York Stock Exchange rules, any consultant, legal counsel or other adviser to the committee may be selected by the committee only after the committee takes into consideration all factors relevant to that person's independence from management, including the following:

- The provision of other services to the corporation by the person or entity that employs the compensation consultant, legal counsel or other adviser;
- The amount of fees received from the corporation by the person or entity that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person or entity that employs the compensation consultant, legal counsel or other adviser;
- The policies and procedures of the person or entity that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;
- Any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the committee;
- Any stock of the corporation owned by the compensation consultant, legal counsel or other adviser; and
- Any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person or entity employing the adviser with an executive officer of the corporation.

## **2.4 Procedures**

The committee will determine its own rules of procedure with respect to the scheduling, location and frequency of its meetings. In the absence of such rules, the committee will meet at the call of its chair as appropriate to accomplish the purposes of the committee, but the board expects that the committee will meet at least twice during each calendar year.

A majority of the members of the committee will constitute a quorum for the transaction of business. Notice of meetings of the committee will be given as provided in the corporation's bylaws.

Directors who are not members of the committee may attend and observe meetings of the committee, but shall not be entitled to vote. The committee may, at its discretion, include in its meetings members of management, its independent compensation consultant, representatives of the independent auditor, the internal auditor, any other accounting or professional personnel employed or retained by the corporation or any other person whose presence the committee believes to be desirable and appropriate. Notwithstanding the foregoing, the committee may exclude from its meetings any non-member who it deems appropriate to exclude.

The chair of the committee will report on the committee's activities to the board at appropriate times and as otherwise requested by the chairman of the board.

## **2.5 Committee Secretary**

The secretary of the corporation will act as the committee's secretary absent the designation of another individual by the committee as its secretary of the meeting. The secretary will attend all meetings; keep minutes of the committee's proceedings; advise members of all meetings; arrange with the committee chair or other convening authority for preparation and distribution of committee agenda and material for each meeting; at the direction of the committee chair, make logistical and other arrangements for each meeting; and carry out other functions as may be assigned from time to time by the committee.

## **III. Duties**

### **3.1 Executive Compensation Principles and Policies**

The committee is responsible for establishing the corporation's executive compensation principles and policies and designing and overseeing the corporation's executive compensation program. The committee has developed principles and policies for executive compensation that include the following elements:

- An emphasis on total compensation and "pay for performance" with an appropriate portion of total compensation reflecting corporate, business unit and individual performance.
- An emphasis on performance based incentives that align the interests of executives with those of shareholders.
- A balance between short term and long term incentives to reward long term strategic results and encourage share ownership.
- An emphasis on placing at risk, through performance based incentives and subject to exceptions at the sole discretion of the committee, a greater portion of executive compensation as levels of responsibilities increase.

To reflect these principles and policies the committee establishes base salaries that it believes are at competitive levels with those of companies of comparable size. It should also provide performance based annual cash and equity-based long term incentives that provide opportunities to earn total compensation at significantly higher levels for superior performance.

The committee annually will review its principles and policies for executive compensation and related compensation programs in light of the corporation's current and prospective business environment and other relevant factors including, but not limited to:

- The need to recruit and retain executives of outstanding ability and proven experience who demonstrate integrity and ethics.
- The need to motivate executives appropriately to achieve superior performance.
- The need to link executive compensation to both annual and long term performance.
- The need to align the interests of executives and shareholders.

### **3.2 Evaluation and Compensation of the Chief Executive Officer**

The committee annually will review and approve corporate goals and objectives relevant to chief executive officer compensation. These will be based primarily upon objective criteria including business performance, accomplishment of strategic and financial objectives, development of management and other matters relevant to the short term and long term success of the corporation and the creation of shareholder value.

The committee will evaluate the chief executive officer's performance in light of these corporate goals and objectives and report the results of its evaluation to the board for the board's consideration. The results of the committee's evaluation and the board's consideration will be communicated to the chief executive officer.

Based upon this evaluation, the committee will determine and approve the chief executive officer's compensation level, including base salary and performance standards and level of awards under annual and long term incentive plans. In determining the long term component of the chief executive officer's compensation, the committee should consider the corporation's performance and relative shareholder return (and any other performance metrics deemed appropriate by the committee), the value of incentive awards to chief executive officers at comparable companies and the awards given to the corporation's chief executive officer in past years.

### **3.3 Evaluation and Compensation of Other Corporate Officers**

The committee also will oversee the evaluation and compensation of the additional senior officer group.

The additional senior officer group will include the executive chairman and the president (if such positions are not also held by the chief executive officer), each other "officer" of the corporation as defined by Rule 16a-1(f) of the Exchange Act and such other senior officers designated by the committee.

In consultation with the chief executive officer, the committee annually will review, determine and approve the compensation level, including base salary and performance standards and level of awards under annual and long term incentive plans for each member of the additional senior officer group. The committee also will review the compensation level of certain corporate officers and other key management personnel (as determined by the committee) who are not members of the additional senior officer group.

### **3.4 Benefit Plans and Programs**

- (a) The committee may adopt, amend, terminate, merge, divide or transfer the sponsorship of any benefit plan or program, qualified or nonqualified, foreign or domestic, that covers employees or officers of the corporation. The committee shall periodically review and make recommendations to the board with respect to incentive compensation plans and equity-based plans that are subject to board approval.
- (b) The committee will oversee the management and control of the operations and administration of any benefit plan or program, qualified or nonqualified, foreign or domestic, that covers employees, directors, or officers of the corporation.
- (c) Except for the matters set forth in Sections 3.2 and 3.3 and except as otherwise required by applicable law or regulation or the terms of any benefit plan or program, the committee may delegate such of its powers, duties and responsibilities as it deems appropriate to such persons or sub-committees it establishes, including, without limitation, individual officers or employees of the corporation or its affiliated companies; provided, however, that the committee shall not delegate (i) its powers, duties and responsibilities with respect to benefit plans and programs that primarily benefit officers of the corporation or (ii) its power to adopt or amend any benefit plan or program if such adoption or amendment (A) has a material financial impact on the corporation or (B) disproportionately favors officers of the corporation in relation to otherwise similarly situated salaried employees.
- (d) The committee will appoint and remove persons to serve as members of the named fiduciary committees with respect to employee benefit plans and programs governed by the Employee Retirement Income Security Act of 1974 ("ERISA").

- (e) The committee may appoint a working group of senior management to establish funding policies and methods for employee benefit plans as necessary, to consult with the named fiduciary committees on funding matters, to review the impact of actuarial assumptions for funding the plans on required contributions and to approve the amount and timing of non- elective employer contributions to the plans.
- (f) The committee will review activities of the named fiduciary committees only for purposes of monitoring that such fiduciaries' performance has been in compliance with ERISA and satisfies the needs of the plans.
- (g) The committee will receive and review reports from (i) the applicable named fiduciary committee with respect to (A) investment performance of the qualified retirement plan trusts and compliance with the applicable investment policy statements and (B) non-fiduciary activities concerning, among other things, plan and program amendments approved by the committee, and (ii) the senior management working group with respect to plan funding matters.

### **3.5 Succession Planning**

The committee, together with the chairman of the board and lead director, if the chairman is not independent, annually will report to the board on succession planning, including principles for executive officer selection.

### **3.6 Director Compensation and Benefit Plans**

The committee annually will review and make recommendations to the board regarding compensation and benefit plans for non-management directors.

### **3.7 Other Duties and Responsibilities**

- (a) The committee will review and approve all employment, severance or other employment related agreements or special compensation arrangements for each "officer" of the corporation as defined by Rule 16a-1(f) of the Exchange Act.
- (b) The committee annually will monitor compliance by directors and officers with the board's share ownership guidelines.
- (c) The committee will provide the corporation with the report of the committee with respect to executive compensation required for inclusion in the corporation's proxy statement.
- (d) The committee will review shareholder proposals and advisory votes related to compensation and benefits.
- (e) The committee will evaluate and oversee the corporation's risk management with respect to the corporation's compensation programs.

## **IV. Communications from Shareholders, Employees and Others**

Shareholders, employees and other interested persons who wish to communicate with the committee may do so by writing to the committee care of the corporation's corporate secretary. Mail will be reviewed by the corporate secretary and relayed to the chair of the committee, if the subject matter is within the duties of the committee, in a manner consistent with the screening policies adopted by the board.

## **V. Committee Self-Evaluation and Charter Review**

The committee will evaluate its own performance on an annual basis, including its compliance with this charter. It will also periodically review this charter and provide the board with any recommendations for changes in the charter or in policies or other procedures governing the committee.

## **VI. Charter Availability**

This charter will be posted on the corporation's investor website, and the posting and the availability of printed copies to requesting shareholders will be published in the corporation's annual proxy statement.