SEMPRA ENERGY
Form DEF 14A
March 22, 2019
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant	Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

SEMPRA ENERGY

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
(1) Title of each class of securities to which transaction applies:
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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
(4) Proposed maximum aggregate value of transaction:
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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
(1) Amount Previously Paid:
(2) Form, Schedule or Registration Statement No.:
(3) Filing Party:
(4) Date Filed:
Notes: Reg. (s) 240.14a-101 SEC 1913 (3-99)

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March 22, 2019

Dear Fellow Shareholders:

We are pleased to invite you to attend our Annual Shareholders Meeting at 9 a.m. Pacific time, May 9, 2019, at Balboa Bay Resort in Newport Beach, California. Enclosed are the meeting notice, related proxy statement and proxy card.

2018 was a momentous year for our company. We successfully completed our acquisition of an indirect majority stake in Oncor Electric Delivery Company LLC, Texas largest utility, executed on our leadership succession plan, and have since closed several asset sales to realign our operations to reflect our mission to become North America s premier energy infrastructure company. We are proud to report that we are making progress toward this goal. Your investment in Sempra Energy is an investment in a cleaner energy future, through electric and natural gas infrastructure that delivers access to cleaner energy to over 40 million people.

This year s Annual Shareholders Meeting will focus only on the shareholder business items outlined in the enclosed meeting notice and will not include a separate business update. For more information about our business, we encourage you to review our 2018 Annual Report which is available on the Internet at www.astproxyportal.com/ast/Sempra.

Please review the enclosed materials and promptly vote your shares. As in past years, there are several ways to vote in advance of the meeting: by completing, signing, dating and returning the enclosed proxy or voting instruction card; by telephone; or via the Internet.

In reviewing the materials, you ll note that Director William G. Ouchi, who has served on our board since Sempra Energy s inception in 1998, attained the age of 75 and, in keeping with our retirement policy, has not been nominated to stand for re-election as a director in 2019. Two highly qualified directors, who joined our board in October 2018, are up for election by shareholders for the first time this year:

Michael N. Mears, chairman, president and chief executive officer of Magellan Midstream Partners, L.P.; and

Cynthia L. Walker, senior vice president, midstream and marketing of Occidental Petroleum Corporation.

We appreciate your vote and your continued investment in Sempra Energy.

Sincerely,

Jeffrey W. Martin

Chairman and Chief Executive Officer

William C. Rusnack

Lead Director

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488 8th Avenue, San Diego, California 92101

(877) 736-7727

Notice of Annual Shareholders Meeting

Thursday, May 9, 2019, 9 a.m., Pacific time

Balboa Bay Resort, 1221 West Coast Highway, Newport Beach, California

Business Items

(1) Elect the following director nominees, all of whom are currently directors: Alan L. Boeckmann; Kathleen L. Brown; Andrés Conesa; Maria Contreras-Sweet; Pablo A. Ferrero; William D. Jones; Jeffrey W. Martin; Michael N. Mears; William C. Rusnack; Lynn Schenk; Jack T. Taylor; Cynthia L. Walker; and James C. Yardley.

(2) Ratification of independent registered public accounting firm.

(3) Advisory approval of our executive compensation.

(4) Approval of our 2019 Long-Term Incentive Plan.

(5) Shareholder proposal requiring an independent board chairman, if properly presented at the meeting.

(6) Consider other matters that may properly come before the meeting.

Adjournments and Postponements

The business items to be considered at the Annual Shareholders Meeting may be considered at the meeting or at any adjournment or postponement of the meeting.

Record Date

You are entitled to notice of and to vote at the Annual Shareholders Meeting, or at any adjournment or postponement thereof, only if you were a holder of Sempra Energy common stock at the close of business on March 14, 2019.

Meeting Admission

You are entitled to attend the Annual Shareholders Meeting, or any adjournment or postponement thereof, only if you were a holder of Sempra Energy common stock at the close of business on March 14, 2019, or you hold a valid proxy from any such holder to vote at the meeting. You should be prepared to present photo identification to be admitted to the meeting.

If you are a shareholder of record of common stock or hold shares of common stock through our Direct Stock Purchase Plan or Employee Savings Plans, an admission ticket is included as part of your notice of Internet availability of proxy materials or proxy card. If you plan to attend the meeting, please bring the admission ticket with you. If you do not bring the admission ticket, your name must be verified against our list of registered shareholders and plan participants. If you do not have appropriate admission materials, you will not be admitted to the meeting.

If your shares of common stock are not registered in your name but are held in street name through a bank, broker or other nominee, you must provide proof of beneficial ownership at the record date. Proof of beneficial ownership could include items such as your most recent account statement prior to March 14, 2019, a copy of the voting instruction card provided by your nominee, or other similar evidence of share ownership.

The meeting will begin promptly at 9 a.m. Pacific time. Check-in will begin at 8 a.m. Pacific time. You should allow ample time for check-in procedures.

Voting

Your vote is important. Whether or not you plan to attend the Annual Shareholders Meeting, we encourage you to read this proxy statement and promptly vote your shares. You may vote in advance of the meeting by completing, signing and dating the enclosed proxy or voting instruction card and returning it in the enclosed envelope, or by telephone or via the Internet. Internet and telephone voting for holders of record will be available until 11:59 p.m. Eastern time on May 8, 2019. For specific instructions on how to vote your shares, please refer to the section entitled About the Annual Shareholders Meeting and Voting How You Can Vote and to the instructions on your proxy or voting instruction card. This Notice of Annual Shareholders Meeting and Proxy Statement, the accompanying form of proxy or voting instruction card and our 2018 Annual Report to Shareholders are being provided to shareholders beginning on or about March 22, 2019.

Jennifer F. Jett

Corporate Secretary

Important Notice Regarding the Availability of Proxy Statement Materials

for the Annual Shareholders Meeting to be Held on May 9, 2019.

The Proxy Statement for the Annual Shareholders Meeting to be held on May 9, 2019, and the

Annual Report to Shareholders are available on the Internet at www.astproxyportal.com/ast/Sempra.

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Proxy Statement Summary

This summary highlights selected information to assist you in your review of the proxy statement. It does not contain all of the information you should consider, and you should read the entire proxy statement carefully before voting. Information regarding the performance of Sempra Energy is available in the company s Annual Report to Shareholders for the year ended December 31, 2018, that accompanies this proxy statement and which is available on the company s website at www.sempra.com. For questions and answers and additional information about the Annual Shareholders Meeting and voting, see the About the Annual Shareholders Meeting and Voting section of the proxy statement. This proxy statement and the accompanying proxy card are first being made available to shareholders on or about March 22, 2019.

2019 Annual Shareholders Meeting Details

Date/Time	Location
Thursday,May 9, 2019 9:00a.m. Pacific Time	Balboa Bay Resort 1221 West Coast Highway Newport Beach, California 92663

Shareholder Voting Matters

Proposals	Board Recommendation	Page No.
1. Electionof Directors	**FOR** each director Nominee	24
2. Ratificationof independent registered public accounting firm	**FOR** ratification of Deloitte & Touche LLP	30
3. Advisoryapproval of our executive compensation	**FOR** advisory approval of our executive compensation	31
4. Approvalof our 2019 Long-Term Incentive Plan	**FOR** approval of our 2019 Long-Term Incentive Plan	32
5. Shareholder proposal requiring an independent board chairman	**AGAINST** shareholder proposal requiring an independent board chairman	40

Director Nominees

Name and Occupation	Age	Director Since	Independent	Standing Board Committee Memberships				
				AC	CC	CGC	EHSTC	EC
Alan L. Boeckmann *Former CEO and Chair, Fluor Corporation*	70	2011						
Kathleen L. Brown *Partner, Manatt, Phelps & Phillips, LLP*	73	2013						
Andrés Conesa, Ph.D. *CEO, Grupo Aeroméxico, S.A.B. de C.V*	49	2017						
Maria Contreras-Sweet *Managing Partner, Contreras-Sweet Enterprises and Rockway Equity Partners; Former Administrator, U.S. Small Business Administration*	63	2017						
Pablo A. Ferrero *Independent energy consultant*	56	2013						
William D. Jones *President and CEO, CityLink Investment Corp.*	63	1998				C		
Jeffrey W. Martin *Chairman and CEO, Sempra Energy*	57	2018						C
Michael N. Mears *Chairman, President and CEO, Magellan Midstream Partners L.P.*	56	2018						
William C. Rusnack **Lead Independent Director** *Former President and CEO, Premcor Inc.*	74	2001			C			
Lynn Schenk	74	2008					C	

Private practice attorney, Former U.S. Congresswoman				
Jack T. Taylor *Former COO-Americas and Executive Vice Chair of U.S. Operations,* *KPMG LLP (U.S.)*	67	2013		C F
Cynthia L. Walker *Senior Vice President, Midstream and Marketing,* *Occidental Petroleum Corporation*	43	2018		
James C. Yardley *Former Executive Vice President, El Paso Corp.*	67	2013		

AC = Audit Committee

CC = Compensation Committee

CGC = Corporate Governance Committee

EHSTC = Environmental, Health, Safety and Technology Committee

EC = Executive Committee

C = Committee Chair

F = Audit Committee Financial Expert

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Board Nominee Composition

Our board has made diversity a priority, both of skills and experience and of gender and ethnicity. To assist our board in maintaining its focus on diversity, we conduct an annual skills assessment and board evaluation to help ensure that the board includes members with a diverse and appropriate mix of experience, competencies and backgrounds. The board uses those results to critically analyze both its effectiveness and its skill sets so that it is well positioned to oversee Sempra Energy s current and future strategies and operations. We have a strong track record of board refreshment. Eight of our independent directors have been added since 2013, including two in 2017 and two in 2018.

Shareholder Engagement and Governance Practices

In 2018, we engaged with holders of approximately 55 percent of our outstanding shares of common stock to discuss corporate governance, executive compensation, business strategy, environmental and social matters and board composition. Supported by feedback from our shareholders, we believe our corporate governance policies, including the following, reflect best practices:

Lead Director with clearly defined and robust responsibilities	12 of our 13 director nominees are independent
annual election of all directors	standing board committees are 100 percent independent (except for Executive Committee)
proxy access right for shareholders	executive sessions of independent directors at all regular board meetings

- majority-vote and director resignation policy for directors in uncontested elections
- shareholders representing in the aggregate 10 percent or more of our outstanding shares may call a special shareholders meeting
- comprehensive, ongoing succession planning for key executives by the board
- comprehensive board refreshment resulting in balanced director tenure
- annual board, director and committee self-evaluations for our standing committees (except for Executive Committee)
- prohibition on hedging or pledging company stock
- robust director and executive share ownership requirements
- 97 percent attendance of directors at board and committee meetings in the aggregate in 2018
- active shareholder engagement, including with our Lead Director meeting and speaking with shareholders
- code of conduct applicable to directors and senior officers

Executive Compensation

Company Overview

Sempra Energy operates regulated utilities and builds safe, reliable and sustainable energy infrastructure that serve our communities, while growing value for all of our stakeholders. Our strategic mission is to become North America s premier energy infrastructure company, with a focus on owning and operating utility infrastructure with a transmission and distribution-like risk profile, developing our liquefied natural gas (LNG) export business and developing infrastructure in Mexico to meet that country s growing needs. Our strategy is to develop, operate, and invest in long-term contracted energy infrastructure and utilities with shared growth drivers, with a focus on attractive markets.

Utilities	Energy Infrastructure
We hold diverse regulated electric and gas utilities with a large presence in California and Texas. Our utility businesses will continue to require investments in grid infrastructure, transmission, distribution and storage	Our energy infrastructure businesses are primarily focused on the import, export, transfer and storage of gas. We believe that diverse sources of energy will continue to be important domestically and internationally.

and other types of assets to help ensure safety and reliability of service and incorporate additional sources of renewable energy.

Our revenues for these businesses generally are tied to long-term contracts with creditworthy counterparties.

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Proxy Statement Summary

2018 Performance

2018 was a pivotal year for Sempra Energy. The Board promoted Jeffrey W. Martin, previously the company s Executive Vice President and Chief Financial Officer, to the position of Chief Executive Officer effective May 1, 2018 and Chairman effective December 1, 2018, following the retirement of Debra Reed from those positions. The leadership transition and the ensuing promotion of other key executives in 2018 illustrate our commitment to management development and succession planning. In addition, Sempra Energy experienced a number of strategic and financial accomplishments in 2018 to focus our electric and natural gas infrastructure platforms to provide visibility to stable, high quality earnings and cash flows that have similar risk profiles:

2018 Strategic Performance Highlights

2018 and Recent Accomplishments and Highlights

Business Portfolio Developments

Closed the acquisition of 80.25% indirect interest in Oncor Electric Delivery Company LLC (Oncor) in March 2018

Together with Oncor, announced agreements in October 2018 for Oncor s planned acquisition of 100% of InfraREIT, Inc. and its subsidiary, InfraREIT Partners, LP, and our planned acquisition of 50% of Sharyland Utilities, LP(1)

Intend to use proceeds from asset sales discussed below to fund InfraREIT and Sharyland acquisitions and pay down

Sempra Utilities

SDG&E received the Edison Electric Institute s 2018 Edison Award, the electric power industry s most prestigious honor, in recognition of its investments to enhance grid resiliency and reduce climate-related and weather-related vulnerabilities

SDG&E achieved a successful regulatory outcome regarding departing load, further helping to secure fair and equitable rates across its entire customer base

Sempra North American Infrastructure

Progress made on development projects with the goal of building up to 45 million tonnes per annum (Mtpa) of LNG export capacity to serve global markets:

Cameron: Cameron LNG joint venture (JV) continued construction of Trains 1-3; based on a number of factors, we believe it is reasonable to expect that Cameron LNG JV will start generating earnings in the middle of 2019 debt

Initiated portfolio optimization and continuous cost savings as part of ongoing strategic review

Announced planned sale of U.S. renewables and non-utility natural gas storage assets in June 2018

Completed sale of U.S. solar assets in December 2018 and received approximately $1.6 billion in proceeds

Completed sale of midstream storage assets in February 2019 for approximately $328 million

Announced sale agreement for remaining U.S. renewable assets in February 2019 for approximately $550 million[1]

Announced in January 2019 the planned sale of South American businesses

SDG&E and SoCalGas completed all required filings for their General Rate Cases, which include requests for significant capital spending programs to continue to enhance safety and reliability

SDG&E and SoCalGas received approval from the California Public Utilities Commission s (CPUC) Safety Enforcement Division to begin constructing the $671 million L1600 pipeline replacement project

SoCalGas announced a plan to replace 20 percent of its traditional natural gas supply with renewable natural gas by 2030

SDG&E worked with California legislature and regulators to pass SB 901, which requires wildfire mitigation plans that are largely modeled after SDG&E s existing programs

SDG&E submitted a request to increase its Federal Energy Regulatory Commission (FERC) Return on Equity (ROE) from 10.05% to 11.2%, with settlement negotiations expected to begin in the second quarter of 2019

Sempra LNG signed a memorandum of understanding (MOU) with Total S.A. in November 2018 for up to 9 Mtpa of capacity on Cameron Phase 2 and Energía Costa Azul (ECA)[2]

ECA Midscale: Sempra LNG signed Heads of Agreements with affiliates of Mitsui & Co., Ltd., Tokyo Gas Co., Ltd. and Total S.A. in November 2018 for the entire expected approximately 2.4 Mtpa capacity of ECA Phase 1 (midscale)[2]

Port Arthur: Sempra LNG signed a 20-year sale and purchase agreement (SPA) with PGNiG in December 2018 for 2 Mtpa of capacity from Port Arthur LNG, subject to certain conditions[3]

Infraestructura Energética Nova, S.A.B. de C.V. (IEnova) announced three new liquids terminal projects (Topolobampo, Baja Refinados, and Manzanillo) totaling approximately $400 million in capital expenditures, as well as an expansion of the Valero terminals

(1) The planned purchase by Oncor of InfraREIT, our planned acquisition of Sharyland and planned sale of our remaining U.S. renewable assets are subject to customary closing conditions and consents, including obtaining certain regulatory approvals.

(2)

These arrangements provide a framework for cooperation, but do not obligate the parties to enter into a definitive agreement or participate in the applicable project.

(3) The SPA is subject to conditions precedent, including reaching a final investment decision.

2018 Financial Performance Highlights

Our long-term growth has been strong, with market capitalization increasing by over $19 billion over the past 10 years. Our stock has provided investors with solid long-term returns, outperforming both the S&P 500 Utilities Index and the S&P 500 Index over a 10-year period. The compound annual growth rate (CAGR) of our dividend exceeded the median CAGR for companies in the S&P 500 Utilities Index over the past one, three, five and ten years. Our GAAP[(4)] earnings per diluted common share (EPS) were $4.40 in 2008, $4.01 in 2013 and $3.42 in 2018. On an adjusted basis, EPS increased from $4.40 in 2008 to $5.57 in 2018.[(5)]

(4) GAAP represents accounting principles generally accepted in the United States of America.

(5) Adjusted EPS is a non-GAAP financial measure. For a reconciliation of GAAP and adjusted earnings and EPS, please see Appendix A to this proxy statement.

(1) See footnote (5) above

(2) As of December 31, 2018, December 31, 2013 and December 31, 2008

(3) For periods ending December 31, 2018

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Proxy Statement Summary

Compensation Overview

Our executive compensation program is designed to attract, motivate and retain key executive talent and promote strong, sustainable long-term performance. We place an emphasis on variable performance-based pay, with each component designed to promote value creation and alignment of our management team s compensation with our long-term strategic objectives.

Performance-Based Annual Bonus

85% Earnings

Provides accurate, comprehensive, and understandable picture of annual financial performance

Adjusted to exclude impact of non-contemplated acquisitions or divestitures, among other pre-defined adjustments

15% Safety and Customer Service

Promotes responsible and sustainable operations, and the safety of our customers and employees

Long-Term Equity-Based Incentives

70% Performance Stock Units

50% based on 3-year Relative Total Shareholder Return (TSR)

35% based on 3-year Relative TSR vs. S&P 500 Utilities Index

15% based on 3-year Relative TSR vs. S&P 500 Index

20% based on 3-year EPS CAGR with payout scale set based on forward consensus estimates of S&P 500 Utilities peers

30% Service-Based Restricted Stock Units

Enhances our ability to retain key executives

Added in 2018 in response to shareholder feedback

Note: Base salary is the base salary as of December 31, 2018. Performance-based annual incentive bonus is the target performance-based annual bonus calculated using the base salary of $1,100,000 and performance-based annual bonus target of 115 percent as of December 31, 2018. Long-Term Incentive Plan (LTIP) amounts are based on the target annual LTIP award percentage of 425 percent as of December 31, 2018 multiplied by the December 31, 2018 base salary. The annual performance-based bonus target and LTIP target reflected above are the targets established by the Compensation Committee when Mr. Martin became Chief Executive Officer (CEO). These targets were not fully implemented in 2018. The weightings of the performance measures in the performance-based annual bonus are based on performance at target. The weightings of the long-term equity-based incentive components are based on the target grant date value.

2018 Compensation Decisions and Outcomes

Base Salary. In connection with the execution of our planned executive succession process and executive promotions, adjustments were made to the base salaries of several key executives, including Mr. Martin whose salary increased from $700,000 to $1,100,000 when he became CEO. The Compensation Committee considered relevant market data and set pay levels consistent with our compensation philosophy, which generally favors setting initial compensation opportunities conservatively with the intent to align with the market median over time.

Annual Bonus. Our 2018 target earnings for annual bonus plan purposes was $1,487 million, a challenging 16 percent increase over our 2017 target and 8 percent over our 2017 actual earnings for annual bonus plan purposes. Actual 2018 earnings for annual bonus plan purposes was $1,576 million, above our maximum goal of $1,546 million. After accounting for performance on safety and customer service measures, 2018 annual bonuses were achieved at 196 percent of target.

Long-Term Incentive Plan. Long-term awards are the largest single component of each named executive officer s total target compensation package. In accordance with our pay-for-performance philosophy, 70 percent of our 2018 annual long-term incentive awards were performance-based, with 50 percent of the award s grant date value tied to relative TSR performance and 20 percent tied to EPS growth. In 2018, in response to shareholder concern about executive retention, we rebalanced our long-term equity mix to add a service-based restricted stock unit (RSU) component weighted at 30 percent of the award s grant date value. In connection with their promotions and to support executive retention, on May 1, 2018 Mr. Martin, Mr. Householder and Mr. Mihalik received promotional grants of service-based restricted stock units.

Pay-for-Performance Alignment. Performance-based restricted stock units tied to relative TSR performance are the most sizable element of our LTIP design. There was no payout on our 2016 TSR-based awards, based on below-threshold TSR performance over the three-year performance period. This represents the third consecutive tranche of TSR-based long-term awards that have had no payout, reflecting the alignment between performance and compensation. Based on relative TSR performance through December 31, 2018, the total value of the 2017 and 2018 TSR-based awards is below target.

Note: 2014 2017 are based on Ms. Reed s awards and 2018 is based on Mr. Martin s awards.

Voting Information

Eligibility: Shareholders of our common stock at the close of business on the record date, March 14, 2019, are entitled to notice of the Annual Shareholders Meeting and to vote their shares as described below. Each share of common stock is entitled to one vote on each director and one vote on each of the proposals to be voted on.

Record Shareholders may vote in the following ways:

Using the Internet at www.voteproxy.com	Calling 1-800-PROXIES (1-800-776-9437) in the U.S. and Canada	Mailing a signed and dated proxy card	Attending the Annual Shareholders Meeting in person

For Internet and telephone voting, you will need to have your proxy card available and use the Company Number and Account Number shown thereon. Internet and telephone voting are available for shareholders of record until 11:59 p.m. Eastern time on May 8, 2019. Beneficial owners of shares should follow the voting instructions provided by their bank, broker or other nominee. If you hold shares in our Employee Savings Plans, your voting instructions must be received by 8 a.m. Eastern time on May 6, 2019.

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Corporate Governance

Our business and affairs are managed and all corporate powers are exercised under the direction of our Board of Directors. The board establishes fundamental corporate policies and oversees the performance of the company and our Chairman and Chief Executive Officer and the other officers to whom the board has delegated authority to manage our day-to-day business operations.

The board has adopted Corporate Governance Guidelines that set forth expectations for directors, director independence standards, board committee structure and functions, and other policies for the company s governance. It also has adopted a Code of Business Conduct and Ethics for Directors and Senior Officers. Officers also are subject to business conduct guidelines that apply to all employees. Several standing and *ad hoc* committees assist the board in carrying out its responsibilities. Each standing committee operates under a written charter adopted by the board.

Our Corporate Governance Guidelines, standing committee charters, including our Audit, Compensation, and Corporate Governance Committee charters, and Code of Business Conduct and Ethics for Directors and Senior Officers are posted on our website at www.sempra.com under the Investors and Governance tabs. Paper copies may be obtained upon request by writing to: Corporate Secretary, Sempra Energy, 488 8th Avenue, San Diego, CA 92101.

Board of Directors

Functions

In addition to its general oversight role, our Board of Directors performs a number of specific functions, including:

- Selecting our Chief Executive Officer and overseeing his or her performance and that of other senior management in the operation of the company.
- Planning for management succession.
- Reviewing and monitoring strategic, financial and operating plans and their development and implementation by management.
- Assessing and monitoring risks and risk-management strategies.
- Reviewing and monitoring processes designed to maintain the company s integrity, including financial reporting, compliance with legal and regulatory obligations, and relationships with key stakeholders.
- Reviewing and approving significant corporate actions.

Selecting director nominees, appointing board committee members, forming board committees and overseeing effective corporate governance.

Leadership Structure

The Board of Directors retains the flexibility to determine on a case-by-case basis whether the offices of Chief Executive Officer and Chairman of the Board should be combined or separated and whether an independent director should serve as Chairman. This flexibility permits the board to organize its functions and conduct its business in a manner it deems most effective in then prevailing circumstances.

In March 2018, Debra L. Reed announced to the board her retirement as President and Chief Executive Officer effective May 1, 2018 and as Chairman effective December 1, 2018. The board appointed Jeffrey W. Martin as Chief Executive Officer and a director effective May 1, 2018. The board subsequently evaluated our leadership structure and in September 2018 announced that it had determined it would be in the best interests of the company and its shareholders to continue to combine the roles of Chief Executive Officer and Chairman and elected Mr. Martin as Chairman of the Board effective December 1, 2018. In addition to being named Chairman at that time, Mr. Martin continues as our Chief Executive Officer. Mr. Martin is a 14-year employee of the Sempra Energy family of companies with an outstanding career of achievement, as well as extensive industry experience. Mr. Martin also has significant experience in working with and adhering to the rules established by the CPUC, the principal regulator of our California utilities. He has used his experience to bring additional and valuable perspectives on, among other areas, business development, mergers and acquisitions, investor relations, succession planning and regulated utilities.

By Mr. Martin serving as executive Chairman, he acts as a bridge between the board and the operating organization and provides critical leadership for future strategic initiatives and challenges. During those periods in which we do not have an independent Chairman, the independent directors annually select an independent director as the Lead Director. William C. Rusnack continues to serve as our Lead Director.

Our robust Lead Director role includes the following functions and responsibilities:

To lead the Board of Directors if circumstances arise in which the role of the Chairman of the Board may be, or may be perceived by the Lead Director or by the other independent directors to be, in conflict.

To preside at all meetings of the Board of Directors at which the Chairman of the Board is not available.

To organize, convene and preside over executive sessions of the independent directors and promptly communicate approved messages and directives to the Chairman of the Board and Chief Executive Officer.

To act as the principal liaison between the independent directors and the Chairman of the Board and Chief Executive Officer.

To review and approve all board and committee agendas and approve information sent to the board, providing input to management on the scope and quality of such information.

To consult with the Chairman of the Board, Chief Executive Officer and committee chairs regarding the topics and schedules of the meetings of the board and committees and approve such schedules to assure that there is sufficient time for discussion of all agenda items.

To call a special meeting of the Board of Directors or the independent directors at any time, at any place and for any purpose.

To be available for consultation and direct communication with the company s major shareholders.

To collect and communicate to the Chairman of the Board and Chief Executive Officer the views and recommendations of the independent directors relating to his or her performance, other than with respect to the annual performance review.

To consult with the Corporate Governance Committee as part of the committee s review of director nominations and recommendations of director candidates.

To consult with directors regarding acceptance of memberships on other boards to assure that multiple board service does not conflict or otherwise interfere with such directors service to the company.

Led by the Compensation Committee and together with the Chairman of the Board, to report annually to the board on succession planning, including policies and principles for executive officer selection.

To perform such other duties as may be assigned from time-to-time by the independent directors.

The position and role of the Lead Director is intended to provide board leadership where the roles of a combined Chairman and Chief Executive Officer may be in conflict. It is also intended to expand lines of communication between the board and members of management. It is not intended to reduce the free and open access and communications that each independent director has with other directors and members of management.

Based upon an extensive shareholder outreach program conducted in 2012 and again in the fall of 2015 and subsequent engagement with shareholders regarding our board leadership structure, we have determined that most of our largest institutional shareholders have no preference for an independent chair as long as the Lead Director has significant duties, as is the case at Sempra Energy.

The Board of Directors believes that its independence and oversight of management is maintained effectively through this flexible leadership structure, our board s composition and sound corporate governance policies and practices.

Director Independence

The Board of Directors determines the independence of our directors by applying the independence principles and standards established by the New York Stock Exchange. These provide that a director is independent only if the board affirmatively determines that the director has no direct or indirect material relationship with the company. They also identify various relationships that preclude a determination of director independence. Material relationships may include, depending on the circumstances, commercial, industrial, banking, consulting, legal, accounting, charitable, family and other business, professional and personal relationships.

Applying these standards, the board annually reviews the independence of the company s directors and director nominees. In its most recent review, the board considered, with respect to the company s directors and director nominees other than Mr. Martin, who is an executive officer of the company, among other things, the absence of any employment relationships between the company and its current directors and nominees and their immediate family members; the absence of any of the other specific relationships that would preclude a determination of independence under New York Stock Exchange independence rules; the absence of any affiliation of the company s directors and their immediate family members with the company s independent registered public accounting firm, compensation consultants, legal counsel, and investment bankers; the absence of any transactions with directors and members of their families that would require disclosure in this proxy statement under Securities and Exchange Commission (SEC) rules regarding related person transactions; and the modest amount of our discretionary contributions to non-profit organizations with which some of our directors or their immediate family members may be associated.

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Corporate Governance

Based upon this review, the board has affirmatively determined that each of the company s non-employee directors is independent. The independent directors are:

Alan L. Boeckmann	Pablo A. Ferrero	Lynn Schenk
Kathleen L. Brown	William D. Jones	Jack T. Taylor
Andrés Conesa	Michael N. Mears	Cynthia L. Walker
Maria Contreras-Sweet	William C. Rusnack	James C. Yardley

Director Share Ownership Guidelines

The board has established share ownership guidelines for directors and officers to further strengthen the link between company performance and compensation. For non-employee directors, the guideline is ownership of a number of our shares having a value of five times the directors annual base retainer of $85,000, resulting in an ownership guideline equal to $425,000. The Compensation Committee annually reviews adherence to this guideline, which is expected to be attained within five years of becoming a director. For these purposes, share ownership includes phantom shares into which compensation has been deferred, restricted stock units, and the vested portion of certain in-the-money stock options, as well as shares owned directly. All of our non-employee directors who have been on the board for at least five years meet or exceed the guideline. For information regarding executive officer share ownership requirements, please see Executive Compensation Compensation Discussion and Analysis Share Ownership Requirements.

Board and Committee Meetings; Executive Sessions; Annual Shareholders Meetings

At regularly scheduled board and committee meetings, directors review and discuss management reports regarding the company s performance, prospects and plans, as well as significant opportunities and immediate issues facing the company. At least once a year, the board reviews management s long-term strategic and financial plans, including an annual detailed broad strategy discussion.

The Chairman of the Board proposes the agenda and schedule for each board meeting to the Lead Director who then reviews and modifies or approves it. Committee agendas and schedules are set by or in consultation with the committee chair and with the approval of the Lead Director.

Directors are encouraged to propose agenda items, and any director also may raise at any meeting subjects that are not on the agenda.

Information and other materials important to understanding the business to be conducted at board and committee meetings, to the extent available, are distributed in writing to the directors in advance of the meeting. Additional information may be presented at the meetings.

An executive session of independent board members is held at each regular board meeting, and any director may call for an executive session at any board meeting. The Lead Director presides over executive sessions during which the independent directors discuss issues such as succession planning, Chief Executive Officer performance and compensation, executive development and board performance.

During 2018, the board held 16 meetings and committees of the board held 53 meetings. Directors, on an aggregate basis, attended 97 percent of the combined number of these meetings. Each director attended at least 94 percent of the combined number of meetings of the board and each committee of which the director was a member.

The board encourages all nominees standing for election as directors to attend the Annual Shareholders Meeting. All of the nominees standing for election at the 2018 Annual Shareholders Meeting, except for Alan L. Boeckmann, attended the 2018 meeting.

Evaluation of Board and Director Performance

The Corporate Governance Committee annually reviews and evaluates the performance of the Board of Directors, including such criteria as board oversight, leadership, composition and independence, conduct of meetings and committees.

As illustrated below, the board also conducts an annual peer evaluation by which each director is afforded the opportunity to comment anonymously on the other board members performance.

In order to help ensure the objectivity and integrity of this process, an outside law firm is engaged every year to conduct the peer review portion of this evaluation and compile the results. The Corporate Governance Committee assesses the board s contribution as a whole and identifies areas in which the board or senior management believes a better contribution may be made. The purpose of the review is to increase the effectiveness of the board, and the results are reviewed with the board and its committees. The results also are considered in connection with board refreshment efforts. In addition, each standing committee, other than the Executive Committee, conducts an annual self-evaluation, in accordance with its charter.

Our board annually reviews the individual performance and qualifications of each director who may wish to be considered for nomination for election by shareholders of our common stock to an additional term. The evaluations are reviewed by the Corporate Governance Committee, which makes recommendations to the board regarding nominees to stand for election as directors. Our board appreciates the importance of critically evaluating directors and their contributions to the board in connection with the re-nomination decision, including skills, qualifications and experience, feedback from the annual board evaluation, and individual performance, attendance, participation, independence and outside board and other affiliations.

Risk Oversight

The board, in cooperation with management, has developed an integrated risk management framework to assess, prioritize, manage and monitor risks across the company s operations, including with respect to safety and operational risks, regulatory and compliance risks, cybersecurity risks, climate risks and reputational risks. Sempra Energy s board has ultimate responsibility for risk oversight under this framework. Consistent with this approach, our Corporate Governance Guidelines provide that the specific functions of the Board of Directors include assessing and monitoring risks and risk management strategies.

The board believes that risk stretches far beyond any one committee. As a result, the board has diversified its risk oversight responsibilities across its membership, housing categories of risk oversight within board committees by topic. In addition, the board may form *ad hoc* committees to deal with certain risks. Any risk oversight that does not fall within a particular committee remains with the full board. The committee chairs report to the full board regarding their respective committee s risk oversight role during committee reports.

The board reviews and monitors strategic, financial and operating plans that are intended to provide sustainable long-term growth with what the board deems to be an acceptable level of risk. Each of our principal operating units is responsible for identifying and moderating risk in a manner consistent with these goals. The board fulfills its risk oversight function through receipt of reports provided both directly to the board and to appropriate board committees. Based on these reports, the board or appropriate committees establish or amend existing risk oversight and control mechanisms. In addition, the company has a robust internal audit function that reports directly to the Audit Committee.

The board and its committees seek to mitigate risk through establishing policies that include:

- Leverage limitations.
- Establishing utility investment plans consistent with state policy objectives and seeking regulatory review and approval of significant investments.
- Establishing non-utility investment policies, including requiring substantial third-party pre-construction contractual commitments to purchase the capacity or output of major non-utility construction projects, subject to exceptions.
- Setting an employee compensation program that encourages and rewards sustainable growth in our business that is within an acceptable risk profile.
- Establishing commitment policies which require board review and/or approval above certain dollar thresholds.
- Reviewing performance on key operating measures, such as safety.
- Overseeing operating risks.

In addition, the board s Environmental, Health, Safety and Technology Committee is devoted to issues affecting the environment and is regularly briefed on the progress the company has made on environmental and sustainability matters. This committee also oversees the company s overall safety policies, reinforcing our strong commitment to safety. Finally, this committee oversees cybersecurity and other information technology risks and keeps abreast of technology advancements of importance to our business.

With respect to investments where we do not operate or control the related entity or operations, we closely monitor these investments and mitigate risk by carefully selecting our business partners. In addition, we may have representation on the entity s governing body, or we may negotiate contractual protections such as limiting our liability, having independent audit rights or prohibiting certain actions without our consent; or we may utilize a combination thereof.

The risks inherent in our businesses, which primarily involve utilities, the transmission and distribution of energy and natural gas, the development of LNG liquefaction facilities, and the construction and operation of natural gas and liquefied petroleum gas pipelines in the United States and Mexico and liquid fuels storage terminals in Mexico, are periodically reviewed by our board and the appropriate board committees. In addition, a review of Sempra Energy s major risks and mitigation strategies is presented to the full board annually.

Board and Management Approach to Sustainability

The board takes an active role in providing oversight of sustainability through its Environmental, Health, Safety and Technology Committee. This includes reviewing business strategies on safety and reliability, system modernization, and electrification and decarbonization, while overseeing efforts that minimize the impact of company operations on the environment. We rigorously track performance on environmental, social and governance-related topics and issues and incorporate many elements of sustainability into our risk management approach.

Our annual sustainability report includes goals and results in the areas of emissions reduction, renewable energy, energy efficiency, water use, employee and public safety, electric reliability, customer assistance programs, diversity and inclusion, employee engagement and community giving. We also publicly report detailed information annually on our greenhouse gas emissions and climate-related risks and opportunities.

Succession Planning and Management Development

Our Compensation Committee oversees and regularly evaluates leadership succession planning practices and results. The committee reports annually to the Board of Directors on succession planning, including policies and principles for executive officer selection. In connection with this review and Debra L. Reed s retirement as President and Chief Executive Officer effective May 1, 2018, and as Chairman and a director effective December 1, 2018, the board appointed Jeffrey W. Martin as Chief Executive Officer and a director effective May 1, 2018 and as Chairman effective December 1, 2018. In addition, the board appointed Joseph A. Householder as President and Chief Operating Officer effective May 1, 2018 and Trevor I. Mihalik, who had been serving as Senior Vice President, Controller and

Chief Accounting Officer, as Executive Vice President and Chief Financial Officer effective May 1, 2018.

Review of Related Person Transactions

SEC rules require us to disclose certain transactions involving more than $120,000 in which we are a participant and any of our directors, nominees as directors or executive officers, or any member of their immediate families, has or will have a direct or indirect material interest. The charter of our Corporate Governance Committee requires the committee to review and approve or ratify any such related person transaction that is required to be disclosed. There were no transactions requiring review during 2018 or 2019 through the date of the mailing of this proxy statement.

Director Orientation and Education Programs

Every new director participates in an orientation program and receives materials and briefings to acquaint him or her with our business, industry, management and corporate governance policies and practices. Continuing education is provided for all directors through board materials and presentations, discussions with management, visits to corporate facilities and other sources. Several directors, at the company s expense, also attend third-party offered education courses and participate in the National Association of Corporate Directors (NACD), of which the company is a member. In 2018, one of our directors, Ms. Schenk, chair of our Environmental, Health, Safety and Technology Committee, completed the NACD Cyber-Risk Oversight Program and received a CERT Certificate in Cybersecurity Oversight.

Board Access to Senior Management, Independent Accountants and Counsel

Directors have complete access to our senior management and other employees, as well as to our independent registered public accounting firm. They also have complete access to counsel, advisors and experts of their choice with respect to any issues relating to the board s discharge of its duties.

Retirement Policy

In accordance with our Corporate Governance Guidelines, directors should not be nominated to stand for election after attaining the age of 75.

Board Committees

The following chart sets forth our standing board committees and membership on these committees.

Audit Committee

Our Audit Committee is composed entirely of independent directors. It is directly responsible for the appointment, compensation, retention and oversight of our independent registered public accounting firm, which reports directly to the committee. The committee prepares the report included in the proxy statement under the caption Audit Committee Report. It also assists the Board of Directors in fulfilling oversight responsibilities regarding:

The integrity of our financial statements.

Our compliance with legal and regulatory requirements.
Our internal audit function.

The independent registered public accounting firm s qualifications and independence.

The board has determined that each member of the Audit Committee is financially literate. It also has determined that Mr. Taylor, who chairs the committee, is an audit committee financial expert as defined by the rules of the SEC.

During 2018, the Audit Committee held eight meetings.

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Compensation Committee

Our Compensation Committee is composed entirely of independent directors. It assists the Board of Directors in the evaluation and compensation of our executives. It establishes our compensation principles and policies and oversees our executive compensation program and executive succession planning. The committee s responsibilities include:

- Reviewing and approving corporate goals and objectives relevant to the Chief Executive Officer s compensation.
- Evaluating our Chief Executive Officer s performance in light of those goals and objectives and approving (and recommending for ratification by the board acting solely through the independent directors) his or her compensation level based on the committee s performance evaluation.
- Evaluating and overseeing risk in our compensation programs.
- Determining and approving (and periodically reviewing with the board) other executive officer compensation.
- Making recommendations to the board with respect to incentive compensation plans and equity-based plans that are subject to board approval.
- Preparing the report included in the proxy statement under the caption Compensation Committee Report.
- Reporting to the board annually on succession planning.

During 2018, the Compensation Committee held 10 meetings.

For additional information regarding the Compensation Committee s principles, policies and practices, please see the discussion under Executive Compensation Compensation Discussion and Analysis.

Corporate Governance Committee

Our Corporate Governance Committee is composed entirely of independent directors. The committee s responsibilities include:

- Identifying individuals qualified to become directors.
- Recommending nominees to stand for election as directors and candidates to fill board vacancies.
- Recommending directors for appointment as members of board committees.
- Developing and recommending corporate governance guidelines.
- Overseeing the evaluation of the board and management.

The committee reviews with the board the skills and characteristics required of directors in the context of current board membership, as well as the company s long-term business strategy. It seeks a group of individuals who bring to the board a variety of complementary skills and a range of viewpoints, backgrounds, experiences and other individual qualities and attributes that contribute to overall board diversity. It solicits the names of director candidates from a variety of sources, including members of the board and search firms. The committee also considers candidates submitted by shareholders. The committee assesses the effectiveness of its policies as part of its annual review of board composition and board, committee and individual director performance and in its recommendations to the board of nominees to stand for election as directors at the next Annual Shareholders Meeting.

The committee reviews biographical data and other relevant information regarding potential board candidates, may request additional information from the candidates or other sources and, if the committee deems it appropriate, may interview candidates and consult references and others who may assist in candidate evaluation. The committee evaluates all candidates in the same manner whether identified by shareholders or through other sources.

In considering potential director candidates, the committee evaluates each candidate s integrity, independence, judgment, knowledge, experience and other relevant factors to develop an informed opinion of his or her qualifications and ability and commitment to meet the board s expectations for directors as set forth in our Corporate Governance Guidelines. The committee s deliberations reflect the board s requirement that substantially all directors shall be independent and that all director nominees must be financially literate or must become financially literate within a reasonable time after becoming a director. They also reflect the board s view regarding the appropriate number of directors and the composition of the board, including its belief that the membership of the board should reflect diversity.

The committee, in recommending nominees to stand for election as directors at the 2019 Annual Shareholders Meeting, and the board, in approving the nominees, considered the individual experience, qualifications, attributes and skills of each nominee (including his or her prior contributions to the board), with a view to constituting a board that, as a whole, is well-qualified to oversee our businesses. In 2018, Sempra Energy engaged a third-party director search firm to assist the committee in identifying and evaluating director candidates. On September 18, 2018, the company entered into a cooperation agreement (Cooperation Agreement) with Elliott Associates, L.P. and Elliott

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International, L.P. (together, Elliott), Bluescape Resources Company LLC (Bluescape) and Cove Key Management, LP (together with Elliott and Bluescape, each an Investor and collectively, the Investors). As part of the Cooperation Agreement and our ongoing board refreshment process, the company agreed, among other things, to work together with the Investors to mutually agree upon and appoint two new directors to our board. The Investors, the company and the director search firm identified a list of potential board nominees and, as a result of this process, in October 2018 our board appointed Michael N. Mears and Cynthia L. Walker to serve on our board. Mr. Mears and Ms. Walker are being nominated for election by our shareholders for the first time. Prior to their appointment to the board, the committee and other members of the board reviewed Mr. Mears and Ms. Walker s backgrounds and qualifications and conducted interviews with them, on which basis the committee recommended each of them to the board. Each Investor has agreed to vote all shares which they are entitled to vote in favor of the election of all directors nominated by our board and otherwise in accordance with our board s recommendation. For additional information about the nominees and their qualifications, please see below under Proposal 1: Election of Directors.

In addition, on March 11, 2019, the company announced that, as recommended by the committee, the board intends to appoint Cynthia J. Warner to the board in June 2019. Ms. Warner was recommended for board consideration by the committee due to her considerable management experience in the international oil and natural gas industry, among other reasons. The board also committed to the Investors to nominate Ms. Warner, who is a Qualified Director candidate within the meaning of the Cooperation Agreement, for election to the board at the company s 2020 annual meeting of shareholders, and the Investors have consented to such nomination. As a result, and pursuant to the Cooperation Agreement, the Cooperation Period (as defined in the Cooperation Agreement) is now extended to 11:59 p.m. New York time on September 30, 2020.

Pursuant to the Cooperation Agreement, we agreed that William G. Ouchi, Ph.D. will not be nominated to stand for re-election as a director at the 2019 Annual Shareholders Meeting, which is in accordance with our policy that directors should not stand for re-election after having attained age 75.

During 2018, the Corporate Governance Committee held eight meetings.

Environmental, Health, Safety and Technology Committee

Our Environmental, Health, Safety and Technology Committee is composed entirely of independent directors, and is responsible for:

Assisting the board in overseeing the company s programs and performance related to environmental, health, safety, cybersecurity and technology matters.

Assisting the board on environmental, health and safety laws, regulations and developments at the global, national, regional and local level and evaluating ways to address these matters as part of the company s business strategy and operations.

Assisting the board on cybersecurity programs and issues; and review and evaluation of technology developments that advance the company s overall business strategy.

Reviewing with management and, where appropriate, making recommendations to management and the Board of Directors regarding the company s policies and practices with respect to environmental, health, safety and cybersecurity matters.

During 2018, the Environmental, Health, Safety and Technology Committee held four meetings.

Executive Committee

Our Executive Committee meets on call by the Chairman of this committee to act on emergency or time-sensitive issues during periods between meetings of the Board of Directors when scheduling or other requirements make it difficult to convene the full board. During 2018, the Executive Committee held one meeting.

In addition to the standing board committees described above, the board may, from time to time, establish *ad hoc* committees to address particular matters, transactions and projects. During 2018, the board maintained *ad hoc* committees, three of which are described below:

LNG and Business Development Committee

Under the Cooperation Agreement discussed above, the company agreed, among other things, to rename the LNG Construction and Technology Committee as the LNG and Business Development Committee, the members of which would include the existing committee members and the two new directors, for the purpose of conducting a comprehensive review of the company s business.

Our LNG and Business Development Committee, whose members are Alan L. Boeckmann, Chair, Michael N. Mears, William C. Rusnack, Cynthia L. Walker and James C. Yardley, is responsible for:

Advising the board and management in conducting a comprehensive review of the company s business.

Reviewing and analyzing issues pertaining to the comprehensive review, overseeing the management and resolution of issues relating thereto, and reporting results and formal recommendations of the committee to the board.

During 2018, the LNG and Business Development Committee held three meetings.

Special Matters Committee

Our Special Matters Committee, whose members are William C. Rusnack, Chair, William D. Jones, Jack T. Taylor and James C. Yardley, meets at the direction of the board to serve as an advisor to the board with respect to special matters that affect the company, to review and analyze issues pertaining to special matters, and to oversee the management and resolution of issues relating to special matters. The Special Matters Committee is advising the board on the natural gas well leak at the SoCalGas Aliso Canyon natural gas storage facility and related matters. The committee will continue to operate in close coordination with the full board and closely track developments with respect to the Aliso Canyon natural gas storage facility.

During 2018, the Special Matters Committee held three meetings.

Demand Review Committee

Our Demand Review Committee, whose members are William C. Rusnack, Chair, and Alan L. Boeckmann, meets on call by the Chairman of this committee as needed to investigate allegations set forth in demands received from shareholders relating to the natural gas well leak at the SoCalGas Aliso Canyon natural gas storage facility and related matters, and to provide a recommendation to the Board of Directors for any actions that the committee determines are necessary or appropriate in light of its review of the demands.

During 2018, the Demand Review Committee held one meeting.

Communications with the Board

Shareholders, employees and interested parties who wish to communicate with the board, non-management directors as a group, a board committee or a specific director may do so by mail addressed to the attention of our Corporate Secretary. All such communications regarding executive compensation will be relayed to the Compensation Committee Chair for appropriate evaluation and consideration. All such communications regarding accounting, accounting policies, internal accounting controls and procedures, auditing matters, financial reporting processes, or disclosure controls and procedures will be relayed to the Audit Committee Chair.

All other communications are reviewed by the Corporate Secretary and provided to the directors consistent with a screening policy providing that unsolicited items, sales materials, and other routine items and items unrelated to the duties and responsibilities of the board are not relayed to directors. Any communication that is not relayed is recorded in a log and made available to the directors.

The address for these communications is:

Corporate Secretary

Sempra Energy

488 8th Avenue

San Diego, CA 92101

Director Compensation

Summary

The Compensation Committee of the Sempra Energy Board of Directors reviews director compensation on an annual basis. The committee s independent compensation consultant, Exequity, provides the committee with a report that analyzes the competitiveness of Sempra Energy s director compensation in total and by component. Any changes to director compensation are approved by the Board of Directors. Our 2018 director compensation program is summarized in the table below:

2018 Director Compensation Program	
Board Retainers:	
Annual Base Retainer	$ 85,000
Lead Director Retainer	$ 40,000
Committee Chair Retainers:	
Audit Committee Chair Retainer	$ 20,000
Compensation Committee Chair Retainer	$ 15,000
Other Committee Chair Retainer (A)	$ 10,000
Committee Member Retainers:	
Audit Committee Retainer	$ 20,000
Other Committee Retainer (B)	$ 10,000
Equity:	
Deferred Equity	$ 50,000
Annual Equity Grant	$ 90,000
Initial Equity Grant for New Director	$ 180,000

(A) Applicable to the Corporate Governance Committee and Environmental, Health, Safety and Technology Committee.

(B) Applicable to the Corporate Governance Committee, Environmental, Health, Safety and Technology Committee and Executive Committee.

Retainers

Directors who are not employees of Sempra Energy received annual retainers as set forth in the table above. Directors may elect to receive their retainer in cash or to defer it into phantom investment funds (including a fund for which interest is credited at the higher of 110 percent of the Moody s Corporate Bond Yield Average or the Moody s Corporate Bond Yield Average plus 1 percent) or phantom shares of our common stock.

Equity

Each quarter, non-employee directors are credited with a number of vested phantom shares of our common stock having a market value of $12,500, which we refer to as Mandatory Deferred Equity, and are required to hold these phantom shares until retirement or separation from the board. Following the director s retirement or separation from the board, the current market value of the shares credited to the director s account (together with reinvested dividend equivalents) is paid to the director in cash. Directors also receive initial or annual grants of restricted stock units or phantom shares of our common stock, which are subject to the vesting requirements described below.

Upon first becoming a director, each non-employee director receives an initial grant of restricted stock units or phantom shares having a market value of $180,000 and vesting in three equal annual installments (together with related reinvested dividend equivalents) on each of the first three anniversaries of the grant date.

Thereafter, at each annual meeting (other than the annual meeting that coincides with or first follows the director s election to the board), each non-employee director who continues to serve as a director will receive an additional grant of restricted stock units or phantom shares having a market value of $90,000 and vesting on the date of the next annual meeting.

Unvested restricted stock units or phantom shares immediately vest if the director s service on the board terminates by reason of death, disability or removal without cause. Upon any other termination event, all unvested units or phantom shares are forfeited.

The following changes were made to the Director Compensation Program during 2018:

- Increased the annual retainer from $7,500 to $10,000 for members of the Compensation, Corporate Governance, Environmental, Health, Safety and Technology, and Executive Committees;

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Increased the annual retainer for Lead Director from $25,000 to $40,000;

Eliminated the annual retainer of $10,000 for members and $5,000 for the chair of the LNG and Business Development Committee (formerly the LNG Construction and Technology Committee); and

Increased the annual equity grant from $60,000 to $90,000 per year in restricted stock units or deferred phantom shares with the same vesting period of one year.

Director Compensation Table

We summarize below the 2018 compensation of our non-employee directors who served on our board during the year.

2018 Director Compensation	Fees Earned or Paid in Cash	Stock Awards (B)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (C)	All Other Compensation (D)	Total
Alan L. Boeckmann	$105,000	$140,000		$20,000	$265,000
Kathleen L. Brown	$105,000	$140,000		$25,000	$270,000
Andrés Conesa	$111,429	$140,000	$ 1,164		$252,593
Maria Contreras-Sweet	$111,429	$140,000		$ 2,075	$253,504
Pablo A. Ferrero	$108,571	$140,000			$248,571
William D. Jones	$125,000	$140,000	$ 1,436	$25,000	$291,436
Bethany J. Mayer (A)	$101,429	$140,000		$ 5,000	$246,429
Michael N. Mears (A)	$ 18,940	$180,000			$198,940
William G. Ouchi	$115,000	$140,000		$24,940	$279,940
William C. Rusnack	$170,000	$140,000	$45,081	$20,000	$375,081
Lynn Schenk	$125,000	$140,000		$25,000	$290,000
Jack T. Taylor	$145,000	$140,000	$ 6,902	$15,900	$307,802
Cynthia L. Walker (A)	$ 18,940	$180,000			$198,940

James C. Yardley	$115,000	$140,000			$25,000	$280,000

(A) Ms. Mayer resigned from the board effective October 30, 2018 and joined the company s management team as Executive Vice President Corporate Development and Technology in November 2018. She resigned from this position in January 2019. Mr. Mears and Ms. Walker joined the board on October 11, 2018.

(B) Represents the grant date fair value of the equity grants of restricted stock units and phantom shares of our common stock granted during the year. These amounts represent our grant date estimate of the aggregate compensation expense that we will recognize over the service period of the awards. They are calculated in accordance with accounting principles generally accepted in the United States of America (GAAP) for financial reporting purposes based on the assumptions described in Note 10 of the Notes to Consolidated Financial Statements included in our Annual Report to Shareholders but disregarding estimates of forfeitures related to service-based vesting conditions. These awards were valued at the fair market value of our shares at the crediting date without reduction for non-transferability. The amounts set forth in this column are equal to the number of shares subject to awards multiplied by the grant date closing price of Sempra Energy s common stock. The restricted stock units will be settled in shares of Sempra Energy common stock upon vesting.

The following tables reflect the components of the stock awards granted to each non-employee director in 2018 and the outstanding equity balances with respect to those awards for each director as of December 31, 2018.

		Restricted Equity Grant		
2018 Director Equity Grants	**Mandatory Deferred Equity**	**Phantom Shares**	**Stock Units**	**Total**
Alan L. Boeckmann	$50,000	$ 90,000		$140,000
Kathleen L. Brown	$50,000	$ 90,000		$140,000
Andrés Conesa	$50,000		$ 90,000	$140,000
Maria Contreras-Sweet	$50,000		$ 90,000	$140,000
Pablo A. Ferrero	$50,000		$ 90,000	$140,000
William D. Jones	$50,000	$ 90,000		$140,000
Bethany J. Mayer	$50,000	$ 90,000		$140,000
Michael N. Mears [(1)]		$180,000		$180,000
William G. Ouchi	$50,000		$ 90,000	$140,000
William C. Rusnack	$50,000	$ 90,000		$140,000
Lynn Schenk	$50,000	$ 90,000		$140,000
Jack T. Taylor	$50,000	$ 90,000		$140,000
Cynthia L. Walker [(1)]			$180,000	$180,000
James C. Yardley	$50,000	$ 90,000		$140,000

(1) In January 2019, Ms. Walker and Mr. Mears each were credited with 204 phantom shares valued at $21,739, which includes pro rata mandatory deferred equity of $9,239 for the fourth quarter of 2018 plus $12,500 for the first quarter of 2019. These amounts will be reported as 2019 equity grants and are not included in the amounts shown above.

In 2018, all long-term incentive compensation was delivered through phantom shares and restricted stock units, and no stock options were granted. The following table summarizes the number of stock options, phantom shares and restricted stock units outstanding for each non-employee director at December 31, 2018:

Director Equity Balances as of December 31, 2018	Phantom Shares	Restricted Stock Units	Stock Options	Total
Alan L. Boeckmann	18,055			18,055
Kathleen L. Brown	8,168			8,168
Andrés Conesa	835	2,029		2,864
Maria Contreras-Sweet	811	1,980		2,791
Pablo A. Ferrero	2,662	859		3,521
William D. Jones	29,480			29,480
Bethany J. Mayer	1,421			1,421
Michael N. Mears (1)	1,565			1,565
William G. Ouchi	21,523	859		22,382
William C. Rusnack	28,376			28,376
Lynn Schenk	15,710		5,000	20,710
Jack T. Taylor	9,267			9,267
Cynthia L. Walker (1)		1,565		1,565
James C. Yardley	9,034			9,034

(1) *In January 2019, Ms. Walker and Mr. Mears each were credited with 204 phantom shares valued at $21,739, which includes pro rata mandatory deferred equity of $9,239 for the fourth quarter of 2018 plus $12,500 for the first quarter of 2019. These amounts will be reported as 2019 equity grants and are not included in the balances shown above.*

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Corporate Governance

(C) Consists of (i) the aggregate change in the actuarial value of accumulated benefits under defined benefit pension plans and (ii) above-market interest (interest in excess of 120 percent of the federal long-term rate) on deferred compensation. The 2018 amounts are:

2018 Change in Pension Value and Above-Market Interest	Change in Accumulated Benefits	Above-Market Interest	Total
Alan L. Boeckmann			
Kathleen L. Brown			
Andrés Conesa		$ 1,164	$ 1,164
Maria Contreras-Sweet			
Pablo A. Ferrero			
William D. Jones	$ (8,949)	$ 1,436	$ (7,513)
Bethany J. Mayer			
Michael N. Mears			
William G. Ouchi	$ (22,648)		$ (22,648)
William C. Rusnack		$ 45,081	$ 45,081
Lynn Schenk			
Jack T. Taylor		$ 6,902	$ 6,902
Cynthia L. Walker			
James C. Yardley			

Only Mr. Jones and Dr. Ouchi are entitled to receive grandfathered pension benefits and both have attained the maximum years of service credit. The annual benefit is based on the annual board retainer at the date the benefit is paid. It commences upon the latter of the conclusion of board service or attaining age 65 and continues for a period not to exceed the director s years of service as a director of predecessor companies plus up to 10 years of service as a director of the company. The actuarial equivalent of the total retirement benefit is paid to the retiring *director in a single lump sum upon the conclusion of board service, unless the director has elected to receive the annual benefit.*

(D) Consists of our contributions to charitable, educational and other non-profit organizations to match those of directors on a dollar-for-dollar basis up to an annual maximum match of $25,000 for each director.

In addition to the compensation for non-employee directors set forth above, Sempra Energy has agreements with these directors that provide for indemnification for monetary damages to the fullest extent permissible under California law so they will not be unduly concerned about personal liability in connection with their service to the company.

Directors who also are employees of the company are not additionally compensated for service as a director. Compensation of Debra L. Reed (who retired from the company effective December 1, 2018) and Jeffrey W. Martin (who became the Chief Executive Officer and a director on May 1, 2018 and the Chairman on December 1, 2018) is summarized in the Summary Compensation Table appearing under Executive Compensation Compensation Tables.

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Audit Committee Report

The Audit Committee of the Board of Directors is composed of the five directors named below, all of whom have been determined by the board to be independent directors. The board also has determined that all members of the committee are financially literate and that Mr. Taylor, the chair of the committee, is an audit committee financial expert as defined by the rules of the Securities and Exchange Commission. The committee s charter, adopted by the board, is posted on the company s website at www.sempra.com under the Investors and Governance tabs.

The committee s responsibilities include appointing the company s independent registered public accounting firm, pre-approving both audit and non-audit services to be provided by the firm and assisting the board in providing oversight of the company s financial reporting process. In fulfilling its oversight responsibilities, the committee meets with the company s independent registered public accounting firm, internal auditors and management to review accounting, auditing, internal control and financial reporting matters.

It is not the committee s responsibility to plan or conduct audits or to determine that the company s financial statements and disclosures are complete, accurate and in accordance with accounting principles generally accepted in the United States and applicable laws, rules and regulations. Management is responsible for the company s financial statements, including the estimates and judgments on which they are based, as well as the company s financial reporting process, accounting policies, internal audit function, internal control over financial reporting, disclosure controls and procedures, and risk management. The company s independent registered public accounting firm, Deloitte & Touche LLP, is responsible for performing an audit of the company s annual financial statements, expressing an opinion as to the conformity of the annual financial statements with accounting principles generally accepted in the United States, expressing an opinion as to the effectiveness of the company s internal control over financial reporting and reviewing the company s quarterly financial statements.

The committee has discussed with Deloitte & Touche LLP the matters required to be discussed by the rules of the Public Company Accounting Oversight Board Auditing Standard No. 1301, Communications with Audit Committees, which requires the independent registered public accounting firm to communicate information to the committee regarding the scope and results of its audit of the company s financial statements, including information with respect to the firm s responsibilities under auditing standards generally accepted in the United States, significant accounting policies, management judgments and estimates, any significant unusual transactions or audit adjustments, any disagreements with management and any difficulties encountered in performing the audit and other such matters required to be discussed with the committee by those standards.

The committee also has received from Deloitte & Touche LLP a report providing the disclosures required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant s communications with the Audit Committee concerning independence. Deloitte & Touche LLP also has discussed its independence with the committee and confirmed in the report that, in its professional judgment, it is independent of the company within the meaning of the federal securities laws. The committee also considered whether Deloitte & Touche LLP s provision of non-audit services to the company and its affiliates is compatible with its independence.

The committee also has reviewed and discussed with the company s senior management the audited financial statements included in the company s Annual Report on Form 10-K for the year ended December 31, 2018, and management s reports on the financial statements and internal control over financial reporting. Management has confirmed to the committee that the financial statements have been prepared with integrity and objectivity and that management has maintained an effective system of internal control over financial reporting. Deloitte & Touche LLP has expressed its professional opinions that the financial statements conform with accounting principles generally accepted in the United States of America and that management has maintained an effective system of internal control over financial reporting. In addition, the company s Chief Executive Officer and Chief Financial Officer have reviewed with the committee the certifications that each will file with the Securities and Exchange Commission pursuant to the requirements of the Sarbanes-Oxley Act of 2002 and the policies and procedures management has adopted to support the certifications.

Based on these considerations, the Audit Committee has recommended to the Board of Directors that the company s audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2018, for filing with the Securities and Exchange Commission.

Audit Committee

Jack T. Taylor, *Chair*

Andrés Conesa

Maria Contreras-Sweet

William G. Ouchi

James C. Yardley

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Share Ownership

The following table shows the number of shares of our common stock beneficially owned at March 5, 2019, by each of our directors, by each of our executive officers named in the executive compensation tables in this proxy statement, and by all of our directors and executive officers as a group. The shares of common stock beneficially owned by our directors and executive officers as a group total less than 1.0 percent of our outstanding shares. In calculating these percentages, shares under the heading Phantom Shares are not included because these phantom shares cannot be voted. In addition, these shares may be settled only for cash or cannot be settled for common stock within 60 days of March 5, 2019.

Share Ownership (A)	Current Beneficial Holdings (B)	Shares Subject to Exercisable Options (C)	Total Without Phantom Shares	Phantom Shares (D)	Total Including Phantom Shares
Dennis V. Arriola	25,354		25,354		25,354
Alan L. Boeckmann	6,000		6,000	17,646	23,646
Kathleen L. Brown				7,483	7,483
Andrés Conesa	990		990	959	1,949
Maria Contreras-Sweet	1,117		1,117	934	2,051
Pablo A. Ferrero	2,870		2,870	2,800	5,670
Joseph A. Householder (E)	74,990		74,990	5,601	80,591
William D. Jones	4,053		4,053	28,982	33,035
Jeffrey W. Martin	22,113		22,113	17,530	39,643

Michael N. Mears				204	204
Trevor I. Mihalik	10,332		10,332	2,687	13,019
William G. Ouchi (F)	14,954		14,954	21,810	36,764
Debra L. Reed (G)	147,196		147,196		147,196
William C. Rusnack				27,851	27,851
Lynn Schenk	11,306	5,000	16,306	15,086	31,392
Jack T. Taylor	131		131	8,591	8,722
Cynthia L. Walker				204	204
Martha B. Wyrsch (H)	10,108		10,108	10,642	20,750
James C. Yardley				8,357	8,357
Directors and Executive Officers as a Group (21 persons)	351,520	5,000	356,520	182,541	539,061

(A) *Our directors and officers did not beneficially own shares of our 6% Mandatory Convertible Preferred Stock, Series A or our 6.75% Mandatory Convertible Preferred Stock, Series B, at March 5, 2019; therefore, no such shares are shown in the table above.*

(B) *Includes unvested restricted stock units that are convertible into our common stock and that vest within 60 days of March 5, 2019. These total 590 unvested restricted stock units for Dr. Conesa, 565 unvested restricted stock units for Ms. Contreras-Sweet, 11,459 unvested restricted stock units for Mr. Householder, 12,376 unvested restricted stock units for Mr. Martin, 3,080 unvested restricted stock units for Mr. Mihalik and 473 unvested restricted stock units for Peter R. Wall.*

(C) *Shares which may be acquired through the exercise of stock options that currently are exercisable or will become exercisable within 60 days of March 5, 2019.*

(D)

The phantom shares represent deferred compensation deemed invested in shares of our common stock. These phantom shares track the performance of our common stock but cannot be voted and may only be settled for cash, or, in the case of 10,642 shares of vested common stock units deferred by Ms. Wyrsch, cannot be settled for common stock within 60 days of March 5, 2019. Phantom shares and deferred units are either fully vested or will vest within 60 days of March 5, 2019.

(E) Mr. Householder shares with his spouse the power to vote and dispose of 55,697 shares.

(F) Pursuant to the Cooperation Agreement and in keeping with our retirement policy, Dr. Ouchi was not nominated to stand for re-election in 2019 and will retire as a director effective May 9, 2019.

(G) Ms. Reed retired as President and Chief Executive Officer of the company effective May 1, 2018, and as Chairman of the company effective December 1, 2018.

(H) Ms. Wyrsch, who retired as Executive Vice President and General Counsel of the company effective March 1, 2019, shares with her spouse the power to vote and dispose of 2,000 shares.

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Based on a review of filings made under Section 13(g) of the Securities Exchange Act of 1934, as amended, as of December 31, 2018, the only persons or entities known by us to be a beneficial owner of more than 5 percent of our common stock were as follows:

Name and Address of Beneficial Owner	Shares of Sempra Energy Common Stock	Percent of Class
T. Rowe Price Associates, Inc. [(A)] 100 E. Pratt Street Baltimore, MD 21202	32,425,914	11.8%
BlackRock, Inc. [(B)] 55 East 52nd Street New York, NY 10055	24,135,885	8.8%
The Vanguard Group [(C)] 100 Vanguard Blvd Malvern, PA 19355	21,165,723	7.7%
Capital International Investors [(D)] 11100 Santa Monica Boulevard, 16th Floor Los Angeles, CA 90025	14,990,024	5.5%
Franklin Resources, Inc. [(E)]	14,968,122	5.4%

One Franklin Parkway

San Mateo, CA 94403

(A) *The information regarding T. Rowe Price Associates, Inc. is based solely on a Schedule 13G/A filed by T. Rowe Price Associates, Inc. with the SEC on February 14, 2019 (the TRP 13G/A). According to the TRP 13G/A, includes sole voting power with respect to 13,454,705 shares and sole dispositive power with respect to 32,402,968 shares.*

(B) *The information regarding BlackRock, Inc. is based solely on a Schedule 13G/A filed by BlackRock, Inc. with the SEC on February 11, 2019 (the BlackRock 13G/A). According to the BlackRock 13G/A, includes sole voting power with respect to 21,426,224 shares and sole dispositive power with respect to 24,135,885 shares.*

(C) *The information regarding The Vanguard Group is based solely on a Schedule 13G/A filed by The Vanguard Group with the SEC on February 13, 2019 (the Vanguard 13G/A). According to the Vanguard 13G/A, includes sole voting power with respect to 369,079 shares, sole dispositive power with respect to 20,712,458 shares, shared voting power with respect to 142,244 shares and shared dispositive power with respect to 453,265 shares.*

(D) *The information regarding Capital International Investors is based solely on a Schedule 13G filed by Capital International Investors with the SEC on February 14, 2019 (the Capital 13G). According to the Capital 13G, includes sole voting power with respect to 14,916,086 shares and sole dispositive power with respect to 14,990,024 shares.*

(E) *The information regarding Franklin Resources, Inc. is based solely on a Schedule 13G filed by Franklin Resources, Inc. with the SEC on January 28, 2019 (the Franklin 13G). According to the Franklin 13G, includes 1,559,595 shares of common stock issuable on conversion of preferred stock (as computed under Rule 13d-3(d)(1)(i)), sole voting power with respect to 14,916,122 shares and sole dispositive power with respect to 14,968,122 shares. Holders of our preferred stock are not entitled to vote on any item of business at our Annual Shareholders Meeting.*

For information regarding share ownership guidelines applicable to our directors and officers, please see Corporate Governance Board of Directors Director Share Ownership Guidelines and Executive Compensation Compensation Discussion and Analysis Share Ownership Requirements.

Section 16(a) Beneficial Ownership Reporting Compliance

Our directors and executive officers are required to file reports with the SEC regarding their ownership of our shares. Based solely on our review of the reports filed and written representations from directors and executive officers that no other reports were required, we believe that all filing requirements were timely met during 2018.

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Proposals to be Voted On

Board of Directors Proposals

Proposals 1, 2, 3 and 4 have been included in this proxy statement at the direction of the Board of Directors. The board recommends that you vote FOR each director nominee in Proposal 1 and FOR each of Proposals 2, 3 and 4.

Proposal 1: Election of Directors

Directors are elected at each Annual Shareholders Meeting for terms expiring at the next Annual Shareholders Meeting.

The Board of Directors has nominated the following 13 individuals for election as directors, all of whom are currently directors:

Alan L. Boeckmann	Pablo A. Ferrero	Lynn Schenk
Kathleen L. Brown	William D. Jones	Jack T. Taylor
Andrés Conesa	Jeffrey W. Martin	Cynthia L. Walker
Maria Contreras-Sweet	Michael N. Mears	James C. Yardley
	William C. Rusnack	

Properly executed proxies will be voted for these 13 nominees unless other instructions are specified. If any nominee should become unavailable to serve, the proxies may be voted for a substitute nominee designated by the board, or the board may reduce the authorized number of directors. In no event may the proxies be voted for more than 13 nominees.

Pursuant to the Cooperation Agreement and in keeping with our retirement policy, William G. Ouchi was not nominated to stand for re-election and, immediately following this year s Annual Shareholders Meeting, as adjourned or postponed, Dr. Ouchi will no longer serve as a director of the company.

We have not received notice of any additional candidates to be nominated to stand for election as directors at the 2019 Annual Shareholders Meeting and the deadline for notice of the nomination of additional candidates has passed. Consequently, the election of directors will be an uncontested election and our bylaw providing for majority voting in uncontested elections will apply. Under majority voting, to be elected as a director, a nominee must receive votes FOR his or her election constituting a majority of the shares represented and voting at the Annual Shareholders Meeting at which a quorum is present, and the FOR votes must also represent more than 25 percent of our outstanding shares. If a nominee who currently is serving as a director does not receive sufficient FOR votes to be re-elected, the director will cease to be a director not later than 90 days following the certification of the election results, and the resulting vacancy in the board may be filled by the remaining directors.

The board has determined that each non-employee nominee is an independent director. Information concerning the board s independence standards is contained under the caption Corporate Governance Board of Directors Director Independence.

Our directors possess a valuable breadth and depth of experience and qualifications to oversee the company s multiple businesses and global operations. The following chart sets forth the varied qualifications, experiences and backgrounds of the director nominees in the aggregate:

Biographical information regarding each director nominee and his or her qualifications to serve as a director is set forth on the succeeding pages.

In each biography below, the year shown as election as a director is the year that the director was first elected as a director of Sempra Energy. Unless otherwise indicated, each director has held his or her principal occupation or other positions with the same or predecessor organizations for at least the last five years. In addition, the following charts summarize the diversity, tenure and independence of our directors standing for election: 54 percent of our directors are women or people of color; 38 percent of our directors have served less than five years, with average tenure being 6.6 years; and 92 percent of our directors are independent.

The Board of Directors recommends that on Proposal 1 you vote FOR each of its nominees for election to the board.

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Proposals to be Voted On

Alan L. Boeckmann, 70, has been a director since 2011. In 2012, he retired as the Non-Executive Chairman of Fluor Corporation, a leading engineering, procurement, construction and maintenance services company. From 2002 to early 2011, Mr. Boeckmann was the Chairman and Chief Executive Officer of Fluor. Prior to that, he held a number of senior management and operating positions at Fluor. Mr. Boeckmann is a director of Archer-Daniels-Midland Company and BP p.l.c. Mr. Boeckmann, a former director of Fluor Corporation, will rejoin the Fluor Corporation board on May 1, 2019, and will not run for reelection as a director at BP p.l.c. s 2019 annual general meeting. He is a former director of BHP Billiton, Burlington Northern Santa Fe Corporation and the National Petroleum Council.

Mr. Boeckmann has been an outspoken business leader in promoting international standards for business ethics and was instrumental in the formation of the World Economic Forum s Partnering Against Corruption Initiative in 2004. His extensive board, executive management and infrastructure construction experience, coupled with his commitment to ethical conduct in international business activities, makes him a valuable member of our board.

Kathleen L. Brown, 73, has been a director since 2013. She is a partner of the law firm Manatt, Phelps & Phillips, LLP and serves as a director of Stifel Financial Corp., Five Point Holdings, LLC and Renew Financial. Prior to joining Manatt in September 2013, she worked in various leadership positions at Goldman Sachs Group, Inc., a global investment banking and securities firm. From 2011 to 2013, Ms. Brown served as the chairman of investment banking for Goldman s Midwest division in Chicago and was managing director and head of the firm s Los Angeles-based western region public sector and infrastructure group from 2003 to 2011. From 1995 to 2000, Ms. Brown was a senior executive at Bank of America where she served in various positions, including President of the Private Bank. She served as California state treasurer from 1991 to 1995. Ms. Brown currently serves on the board of directors of the Mayor s Fund-Los Angeles and on the Investment Committee for the Annenberg Foundation and is a former director of Forestar Group, Inc. She is on the Advisory Boards of the Stanford Center on Longevity and the University of California Los Angeles (UCLA) Medical Center. Ms. Brown is a member of the Council on Foreign Relations.

Ms. Brown has extensive experience in both the public and private financial sectors, as well as in-depth knowledge of California government processes. Her knowledge of the law and experience as a partner at Manatt give her insight into the effects of laws and regulations on our businesses. This combination of public and private financial experience, legal experience and public service in the State of California makes her a valuable member of our board.

Andrés Conesa, Ph.D., 49, has been a director since 2017. He has been the Chief Executive Officer of Grupo Aeroméxico, S.A.B. de C.V. since 2005 and is a director and member of its audit committee. Previously, Dr. Conesa held several positions in the Mexico Federal Government: from 2003 to 2005, he was Chairman of the Board of Directors of CINTRA (the holding company of Aeroméxico and Mexicana), and from 1991 to 2004, he served in various capacities at the Mexican Ministry of Finance, most recently as Deputy Undersecretary of Public Credit. He was a member of the Board of Governors of the International Air Transport Association from 2008 until June 2018 and served as its Chairman during the 2015 term. Dr. Conesa is a former director of IEnova, Genomma Lab International and the Mexican Stock Exchange.

Dr. Conesa s extensive experience and knowledge of transnational business activities and the Mexican regulatory and financial sectors make him a valuable member of the board, particularly as we look to expand our operations in Mexico.

Maria Contreras-Sweet, 63, has been a director since 2017. She became the Managing Partner of both Contreras-Sweet Enterprises and Rockway Equity Partners in October 2017. From April 7, 2014 through January 20, 2017, she served as the Administrator of the U.S. Small Business Administration and as a member of President Obama s cabinet. Ms. Contreras-Sweet was a founder of ProAmerica Bank where she served as Executive Chairwoman from 2006 to 2014. She was Co-Founder and Managing Partner of Fortius Holdings from 2003 to 2006. Prior to that, she served as the California cabinet Secretary of the Business, Transportation and Housing Agency from 1999 to 2003. She was appointed chair to the finance committee of CA-ISO (California Independent System Operator) to help solve the state s 2000-2001 energy crisis. Ms. Contreras-Sweet served as director of public affairs for Westinghouse Electric Company s 7-Up/RC Bottling Company, where she rose to vice president and became an equity partner. She is a director of Regional Management Corp. and the Bipartisan Policy Center and is a distinguished fellow of the Larta Institute.

Ms. Contreras-Sweet possesses extensive knowledge and executive experience in both the public and private sectors. She brings a strong understanding of financial markets, infrastructure, supply chains, and global innovation, as well as Latin-American governments, and experience with small and medium-sized businesses, which makes her a valuable contributor to the board.

Pablo A. Ferrero, 56, has been a director since 2013. He is an independent energy consultant. From 2006 to 2011, Mr. Ferrero served as Executive Vice President for the Southern Cone at AEI Energy, a power generation and distribution and gas transmission and distribution company. From 2004 to 2006, he was the Chief Executive Officer of Transportadora de Gas del Sur S.A. He is executive director at MSU Energy S.A. He is a former director of Metrogas, Pampa Energía, RDA Renting, S.A., TGS, Transener Edesur, Petrobras Energía, Emdersa, EDESA Holding, EDEN, Emgasud, Servicios Petroleros Argentina, Refinor, Oldelval, Termap, Chilquinta Energía (Chile), Luz del Sur (Peru), Petrolera Andina (Bolivia) and Promigas (Colombia).

Mr. Ferrero has a deep understanding of the energy industry and in particular energy operations in South America. This understanding of international energy operations along with his extensive executive and board experience make him a valuable member of our board.

William D. Jones, 63, has been a director since Sempra Energy s inception in 1998. He has been the President and Chief Executive Officer and a director of CityLink Investment Corporation, a real estate investment, development and management firm, since 1994. From 2001 through 2018, Mr. Jones was the President, Chief Executive Officer and a director of City Scene Management Company. From 1989 to 1993, Mr. Jones served as General Manager/Senior Asset Manager and Investment Manager with certain real estate subsidiaries of The Prudential. Previously, he served as a San Diego City Council member and as Deputy Mayor of San Diego. Mr. Jones is a director and, in some cases, Board Chair of certain funds under management by the Capital Group. He is a member of the NACD and the University of California San Diego (UCSD) Real Estate Advisory Council. Mr. Jones is a former director of The Price Real Estate Investment Trust, Southwest Water Company, the Federal Reserve Bank of San Francisco and the San Diego Padres baseball team and is a former Chairman of the Board of the Los Angeles Branch of the Federal Reserve Bank of San Francisco, the former Chairman of the Board of Trustees of the Francis Parker School and former Board Trustee of the University of San Diego. Mr. Jones has extensive experience as a real estate developer in San Diego, where he built the City Heights Urban Village, an award-winning redevelopment project.

Mr. Jones background in the public and financial arenas, along with his real estate expertise, has been helpful to our board as it considers the development of large infrastructure projects, which requires extensive amounts of land and an understanding of the construction and real estate industries. He is also an experienced director of board governance matters and has earned the NACD board leadership fellow designation. His expertise in these areas makes him a vital member of our board.

Jeffrey W. Martin, 57, has been a director since May 1, 2018. Mr. Martin has served as Chief Executive Officer of the company since May 1, 2018, and as Chairman since December 1, 2018. Previously, Mr. Martin served as Executive Vice President and Chief Financial Officer of the company since January 2017. Prior to that, he served at SDG&E as the Chief Executive Officer and a director from January 2014 to December 2016, as the Chairman from November 2015 to December 2016 and as the President from October 2015 to December 2016. From 2010 to 2013, Mr. Martin served as the President and Chief Executive Officer of Sempra U.S. Gas & Power (USGP), a business unit of the company, and USGP s predecessor organization, Sempra Generation. Before that, he served as the company s Vice President Investor Relations. Prior to joining Sempra Energy in December 2004, Mr. Martin was chief financial officer of NewEnergy, Inc. He also formerly served as corporate counsel at UniSource Energy Corporation and was an attorney at the law firm of Snell & Wilmer, LLP. Mr. Martin currently serves as a director of Oncor Electric Delivery Company LLC, of which Sempra Energy indirectly owns 80.25 percent. Mr. Martin is on the Business Roundtable and the board of trustees of the University of San Diego. He previously served on the boards of directors of the Edison Electric Institute, California Chamber of Commerce and National Association of Manufacturers.

Mr. Martin, in his position as Chairman and Chief Executive Officer of Sempra Energy, oversees the management of all aspects of our business. His performance and leadership in previous senior executive positions at Sempra Energy, his experience as an employee of the company and its subsidiaries for more than 14 years, and his broad understanding of the energy industry, make Mr. Martin a valuable member of our board.

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Michael N. Mears, 56, has been a director since October 2018. He has been Chairman, President and Chief Executive Officer of Magellan Midstream Partners, L.P. since 2011. From 2008 through 2011, he served as Chief Operating Officer of Magellan. Mr. Mears was a Senior Vice President of Magellan GP, LLC, general partner of Magellan, from 2007 through 2008 and a Vice President from 2004 to 2007. Prior to joining Magellan in 2004, he served as a vice president of subsidiaries of The Williams Companies, Inc. from 1996 to 2004. Mr. Mears also worked in various management positions with Williams Pipe Line Company (now known as Magellan Pipeline Company, L.P.) since joining Williams in 1985. He is a member of the board of directors of the Association of Oil Pipelines and is a director of the Tulsa Regional Chamber and Tulsa Area United Way.

Mr. Mears extensive knowledge of the energy industry, as well as his executive, commercial and operational experience, make him a valuable addition to our board.

William C. Rusnack, 74, has been a director since 2001. He was the President and Chief Executive Officer and a director of Premcor Inc., an independent oil refiner, from 1998 to 2002. Prior to 1998, Mr. Rusnack was an executive of Atlantic Richfield Company, an integrated petroleum company. He is a former director of Flowserve Corporation, Peabody Energy Corporation, and Solutia Inc. Mr. Rusnack is a member of the Dean s Advisory Council of the Graduate School of Business at the University of Chicago.

Mr. Rusnack brings a deep understanding of the energy industry to our board. He spent 31 years at Atlantic Richfield Company, many of which he worked in a senior leadership capacity. Mr. Rusnack also offers knowledge and insight gained as a senior executive with the oil refinery company, Premcor. This specialized energy industry experience, along with his deep understanding of effective executive management development, makes him a valuable member of our board.

Lynn Schenk, 74, has been a director since 2008. She is an attorney in private practice. Ms. Schenk served as Chief of Staff to the Governor of California from 1999 to 2003 and was elected to the U.S. House of Representatives representing San Diego, California, from 1993 to 1995, serving on the House Energy and Commerce Committee. From 1978 to 1983, she served as the Deputy and then Secretary of California s Business, Transportation and Housing Agency; prior to that she was on the in-house counsel staff of SDG&E and a California Deputy Attorney General. Ms. Schenk is a director of Biogen, where she chairs the Risk Committee and serves on the Compensation Committee. She is a member of the Board of Overseers of The Scripps Research Institute and served on its Governance Committee, a member of the California High Speed Rail Authority, a trustee of the UCSD Foundation, a member of the University of San Diego School of Law, Board of Visitors and a fellow of the Graduate Program, UCLA Luskin School of Public Affairs. She is an NACD Board Leadership Fellow, a member of the NACD Advisory Council on Risk Oversight and has received the NACD s CERT Certificate in Cybersecurity Oversight.

Ms. Schenk has an extensive history of government, political and public service and an in-depth knowledge of the inner workings of federal and state governmental processes. Along with her insight and experience in government, Ms. Schenk s legal background within our business sector has equipped her with the tools to help our board identify and manage risk. She also has served on the boards of a number of publicly listed companies. This combination enables Ms. Schenk to provide our board with unique perspective on matters pertaining to California s complex government and regulatory environment, as well as corporate governance.

Jack T. Taylor, 67, has been a director since 2013. He was the Chief Operating Officer-Americas and Executive Vice Chair of U.S. Operations for KPMG LLP from 2005 to 2010. From 2001 to 2005, he served as the Vice Chairman of U.S. Audit and Risk Advisory Services for KPMG. Mr. Taylor is an NACD Board Leadership Fellow and a member of the NACD Audit Committee Chair Advisory Council. He is a director of Genesis Energy LP and Murphy USA Inc.

Mr. Taylor has extensive experience with financial and public accounting issues as well as a deep knowledge of the energy industry. He spent over 35 years as a public accountant at KPMG LLP, many of which he worked in a leadership capacity. This experience with financial and public accounting issues, together with his executive experience and knowledge of the energy industry, makes him a valuable member of the board.

Cynthia L. Walker, 43, has been a director since October 2018. She has been the Senior Vice President, Midstream and Marketing of Occidental Petroleum Corporation since 2016. From 2014 to 2016, she was Occidental s Senior Vice President, Strategy and Development. She joined Occidental in 2012 as Executive Vice President and Chief Financial Officer. Prior to that, Ms. Walker was a managing director at Goldman Sachs & Co. where she worked for 12 years providing strategic advice in high-profile energy industry transactions as a senior member of the Global Natural Resources Group and Mergers and Acquisitions Group. She is a director of the Houston Zoo and the Children s Museum of Houston.

Ms. Walker s extensive knowledge and executive experience in the natural gas and energy industries, as well as her prior experience in finance and mergers and acquisitions, make her a valuable addition to our board.

James C. Yardley, 67, has been a director since 2013. He was Executive Vice President of El Paso Corporation and President of its Pipeline Group from 2006 through 2012. Mr. Yardley was also the President and Chief Executive Officer of El Paso Pipeline GP Company LLC, the general partner of El Paso Pipeline Partners, L.P., a master limited partnership that owned and operated interstate natural gas transportation pipelines, storage and other midstream assets, from 2007 through 2012. From 1998 through 2006, he was the President of Southern Natural Gas Company, previously a unit of El Paso Corporation and now a unit held jointly by Kinder Morgan Inc. and The Southern Company. Mr. Yardley was formerly a director of El Paso Pipeline GP Company LLC, and of Scorpion Offshore Ltd.

Mr. Yardley has extensive experience in the natural gas industry and in particular the midstream portion of that industry. He has spent over 34 years in the energy sector, many of which he worked in a leadership capacity, and has public company board experience. This specialized energy industry experience, together with Mr. Yardley s executive and public company board experience, makes him a valuable member of our board.

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Proposals to be Voted On

Proposal 2: Ratification of Independent Registered Public Accounting Firm

The Audit Committee of the Board of Directors has retained Deloitte & Touche LLP as the independent registered public accounting firm to audit our financial statements and the effectiveness of our internal control over financial reporting for 2019. Deloitte & Touche LLP has served as our independent public accounting firm continuously since our inception in 1998. Deloitte & Touche LLP or its predecessors have continuously served as the independent public accounting firm of SDG&E and SoCalGas or their parent companies since 1935 and 1937, respectively. Representatives of Deloitte & Touche LLP are expected to attend the Annual Shareholders Meeting and will have the opportunity to make a statement if they desire to do so and to respond to appropriate questions from shareholders.

The following table shows Deloitte & Touche LLP fees for 2018 and 2017.

	2018		2017	
Dollars in Thousands	**Fees**	**% of Total**	**Fees**	**% of Total**
Audit Fees				
Sempra Energy Consolidated Financial Statements and Internal Controls Audits, Subsidiary and Statutory Audits	$ 9,998		$ 10,049	
Regulatory Filings and Related Services	598		610	
Total Audit Fees				