

# Exhibit to Agenda Item #3

Board Finance & Audit Committee Meeting and Special SMUD Board of Directors' Meeting

Tuesday, April 3, 2018 scheduled to begin at 5:30 p.m.

Customer Service Center, Rubicon Room

# Physical Security

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- Audit observations and physical security assessments cited several recommendations to further secure SMUD's campus:
  - Physical access security
  - Increase employee safety awareness
  - Upgrade SMUD's security systems
- Enterprise risk continues to monitor audit recommendations against risk target to ensure execution of strategies to further reduce risk.

# Physical Security

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- To further ensure campus security, in collaboration with business areas across SMUD, Security Operations have implemented the following:
  - Designation of certain areas as employee-only to reduce unauthorized access;
  - Increase security visibility of activities in CSC lobby by moving the security kiosk
  - Increase employees' physical security awareness through increase signage, communication and education of employee tailgating; and
  - Better campus monitoring through the upgrade of security cameras with new digital technology.
- Staff has included physical security measures in the design of the headquarters rehabilitation

# Summary of SMUD's Top Risks

Risk Title	Update	Risk Trend	Current Residual Risk	Target Residual Risk
Cyber Threats & Privacy	Staff is currently assessing privacy risks.	↑	●	●
Aging Infrastructure	Staff continues to assess SMUD assets to determine other categories of equipment where it makes sense to implement asset health index or asset criticality index methodologies.	↑	●	●
Strategic Workforce Agility	Staff continues to work to build a strategy for workforce recruitment, training and retention.	↑	●	●
Changing Customer Expectation	Staff continually assesses customer expectations via survey and market trends to anticipate customers needs and build strategies to address customer needs.	↑	●	●
Rapid Innovation	Staff continually monitors and analyzes trends in innovation in the current and future electric market and its implications or impact on SMUD's business model and respond accordingly.	↑	●	●

SD-17 ERM Portfolio: Residual Business Critical Risk Exposure: April 3, 2018

Financial Risks		Operational Risks		Strategic Risks	
<b>Budget Planning &amp; Rate Setting</b>	OP: People	<i>Underground Cables</i>		<b>Business Model</b>	
<b>Financing</b>	<b>Employee Safety</b>	<b>T&amp;D Substation Assets</b>		<b>Technology/Competition Driven</b>	
Accounting/Financial Report	<b>Ethics/Integrity</b>	<b>Telecommunications Assets</b>		<i>Demand Response</i>	
Capital Availability/Cashflow	<b>Illegal Acts/Fraud</b>	<b>New Services &amp; Local Agency Projects</b>		Distributed Generation	
<b>Liquidity</b>	<b>Strategic Workforce Agility</b>	<b>Labor: Business Disruption</b>		<i>Distributed Storage</i>	
<b>Load Variation</b>	OP: Systems and IT	<b>Legal Risk</b>		Electrification of Transport Sector	
Retail Load	<b>Applications Support</b>	<b>Operational Excellence</b>		Energy Efficiency	
Customer owned generation	<b>Cyber Security</b>	<b>Payroll Disruption</b>		<i>Innovation</i>	
<b>Price Volatility</b>	<b>Information Management</b>	<b>Pricing &amp; Rate Design Implementation</b>		<b>Changing Customer Expectations</b>	
Commodity	Data Governance	EAPR Implementation Process		<b>Competitive Workforce Total Rewards</b>	
Hydro Generation	<i>Data Availability</i>	<i>TOD Implementation Process</i>		<b>Corporate Governance</b>	
Interest Rate	Enterprise-Wide Documentation	<b>Public Safety</b>		Board Driven	
<b>Project Execution</b>	<b>Grid Operational Systems &amp; Support</b>	<b>Regulatory Compliance Practices</b>		GM Driven	
<b>Wholesale Credit Default</b>	<b>Systems Infrastructure</b>	CPUC General Orders		<b>Enterprise Grant Integration, Execution and Alignment</b>	
	OP: Process	Environmental Protection		<b>Sustainable Energy</b>	
	<b>Balancing Authority Operations</b>	Hydro License		Carbon Emission/AB32	
	<b>Bulk Power Op &amp; Maintenance</b>	NERC/FERC Standards		Load Serving Capability	
	Gas & Gas Pipeline Assets	Nuclear Waste		<i>Renewable Portfolio Standard</i>	
	Power Supply Assets	<b>Revenue Collection Ops &amp; Maintenance</b>		External Risks	
	Transmission Assets	Meter to Cash		<b>Economy - Business Agility</b>	
	<b>Business Continuity</b>	<b>Supply Chain</b>		<b>Legislative &amp; Regulatory</b>	
	<b>Communications</b>	Material Lifecycle		<b>Federal</b>	
	Internal Communications/Alignment			Dodd-Frank Implementation	
	<i>Media &amp; Community Relations</i>			Limits on Muni Bond Tax Exemption	
	<b>Customer Serv Operations</b>			FERC Order 1000	
	<b>General Facilities Op &amp; Maintenance</b>			<b>Local Gov't</b>	
	Customer Service Center			<b>State</b>	
	Energy Management Center			Bay Delta Flow Issues	
Legend: by Risk Heat Zone	Existing Corporation Yard			<i>CEC: Intergrated Resource Planning</i>	
<b>Extremely High Residual Risk</b>	Headquarter Building			Post 2020 Carbon Markets	
<b>High Residual Risk</b>	Physical Asset Security			<i>RPS Eligibility Related Issues</i>	
<b>Medium Residual Risk</b>	<b>Grid Infrastructure: Reliability</b>			<b>Natural / Other Hazards</b>	
<b>Low Residual Risk</b>	<b>T&amp;D Line Assets</b>			Wildfire	
<b>Extremely Low Residual Risk</b>	<i>Poles</i>			Climate Change	
<b>Recent Changes denoted in Purple</b>	<i>Secondary Network</i>				