

Exhibit to Agenda Item # 3

Board Policy Committee and Special SMUD Board of Directors' Meeting
Wednesday, May 16, 2018 scheduled to begin at 5:30 p.m.
Customer Service Center, Rubicon Room

Strategic Direction 12 (SD-12) Ethics

2017 Board Monitoring Report

PURPOSE: Maintaining the public trust and confidence in the integrity and ethical conduct of the Board and SMUD employees is a core value. Therefore, to ensure the public interest paramount in all official conduct, the Board shall adopt and update, as necessary: a Conflict of Interest Code as required by State law. SMUD shall also maintain and enforce a code of conduct applicable to all employees.

Among other things, the code of conduct shall:

- a) Require high ethical standards in all aspects of official conduct.
- b) Establish clear guidelines for ethical standards and conduct by setting forth those acts that may be incompatible with the best interests of SMUD and the public.
- c) Require disclosure and reporting of potential conflicts of interest.
- d) Provide a process for (i) reporting suspected violations of the code of conduct and policies through multiple channels, including an anonymous hotline, and (ii) investigating suspected violations.

SMUD is in full compliance with Strategic Direction SD-12

Integrity and Ethical Conduct

- ✓ **Require high ethical standards in all aspects of official conduct**
 - Administrative Policy - Ethics (5.02.03)
 - Management Procedure - Ethics (5.02.03.100)
- ✓ **Establish clear guidelines for ethical standards and conduct by setting forth those acts that may be incompatible with the best interests of SMUD and the public**
 - Code of Business Ethics and Employee Conduct Booklet provided to all new employees upon hire and all contractors issued a SMUD identification badge

Code of Conduct for All Employees

Ethics Training

- Mandatory requirement for all SMUD employees.
- Employees are required to take the training every 2 years
- Refreshed for relevance on a regular schedule
- 99.9% compliant with required Ethics training in 2017

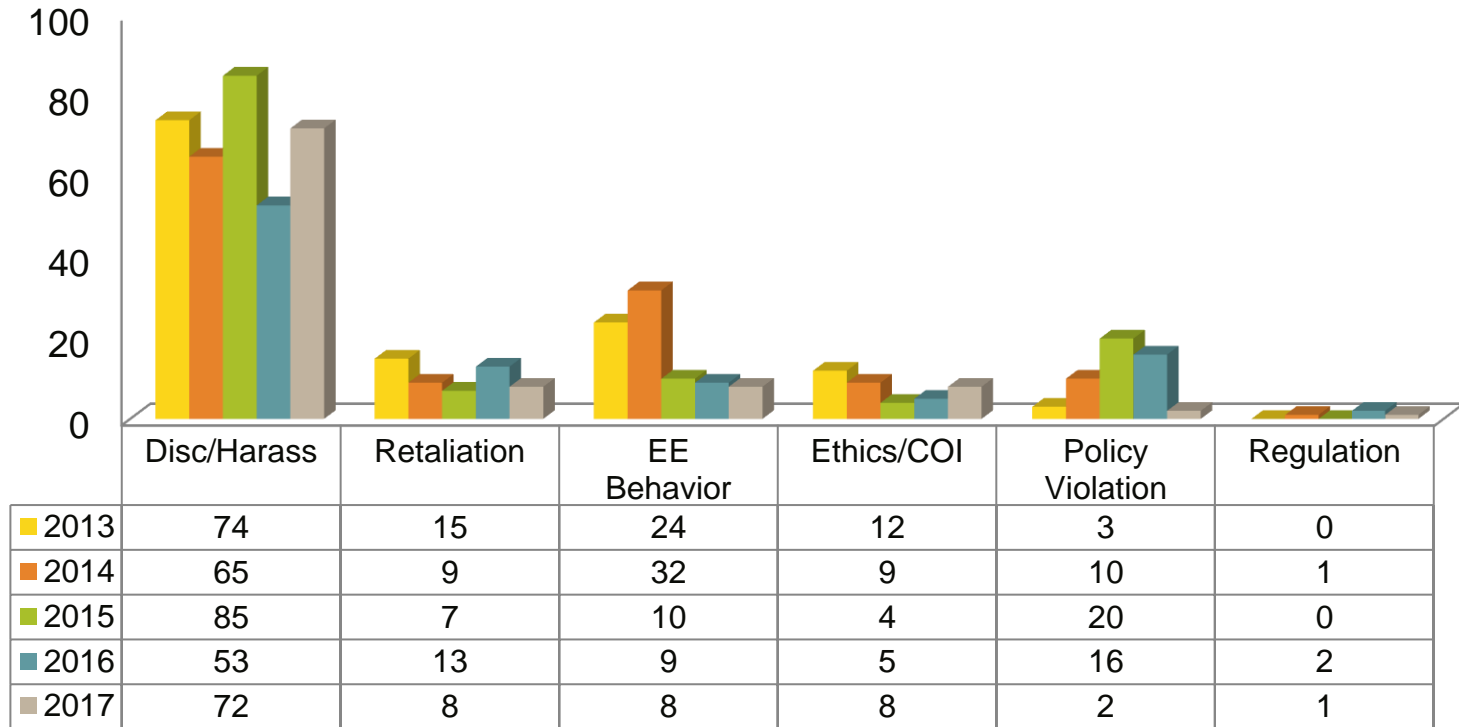
The image displays two screenshots of the SMUD Ethics Training for Employees eLearning interface. The left screenshot shows the 'Violations' section, which includes a photograph of three business professionals (two men and one woman) sitting around a table with a laptop. The text in this section discusses disciplinary actions for Code of Conduct violations, provides a link to download the Code, and mentions SMUD's Conflict of Interest Policy. The right screenshot shows the 'Policy Acceptance' section, which features a photograph of a woman and a man looking at a laptop. This section contains an acknowledgment statement and two radio button options: 'Accept' and 'Reject', followed by a green 'Submit Response' button. Both screenshots include a progress bar at the bottom indicating the current slide number (9/39 and 36/39 respectively) and copyright information for Inspired eLearning, Inc. (2003-2014).

Conflict of Interest Code

- ✓ **Require disclosure and reporting of potential conflicts of interest**
 - Employees in specified job classifications are required to complete an annual Conflict of Interest Statement.
 - 99.45% of the annual Conflict of Interest Statements Received from required filers in 2016.
- ✓ **Provide a process for reporting suspected violations of the code of conduct and policies through multiple channels, including an anonymous hotline**
 - Fair Employment or Labor Relations Office
 - Auditor's Office
 - General Counsel's Office
 - Ethics and Compliance Hotline

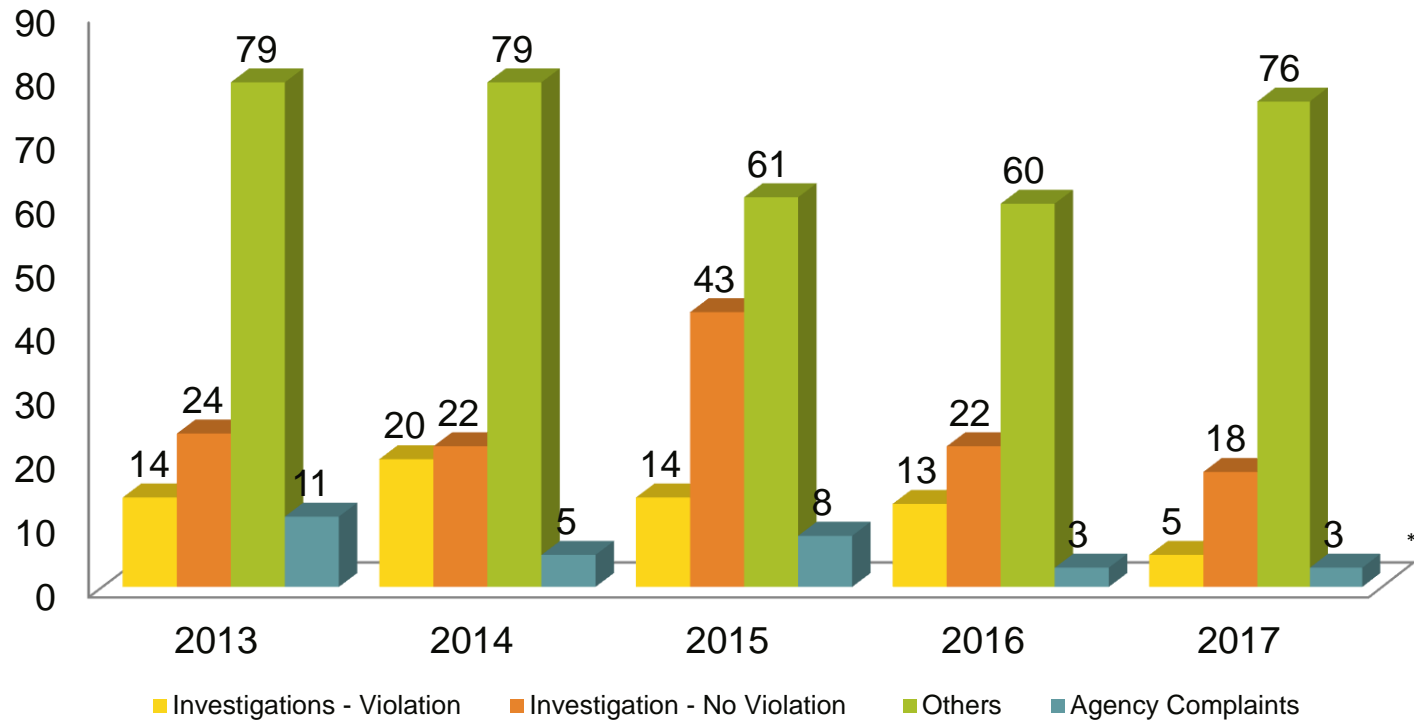
Suspected Violations

2013-17 Complaint Summary



Suspected Violations Outcomes

2013-17 Complaint Outcome Summary



2017 Suspected Violations Outcomes

	Discrimination/ Harassment	Retaliation	EE Behavior	Ethics/COI	Policy Violation	Regulation	Total
Violation	5	0	0	0	0	0	5
No Violation	16	0	0	2	0	0	18
Other	51	8	8	6	2	1	76
Total	66	8	8	8	2	1	99

*



Recommend Acceptance of Monitoring Report for SD-8