

Exhibit to Agenda Item #7

Holistic Policy Review: Governance Process GP-2, Governance Focus, Governance Process GP-3, Board Job Description, and Governance Process GP-7, Guidelines for Board Member Behavior.

Board of Directors Meeting

Thursday, July 16, 2020, scheduled to begin at 5:30 p.m.

GP-2: Governance Focus

The Board will govern with an emphasis on: (i) outward vision rather than an internal preoccupation; (ii) encouragement of diversity in viewpoints; (iii) strategic leadership more than administrative detail; (iv) clear distinction of Board and General Manager roles; (v) collaborative rather than individual decisions; (vi) the future rather than past or present; and (vii) proactive thinking.

GP-2: Governance Focus

- a) The Board will cultivate a sense of group responsibility. The Board will be responsible for excellence in governing. The Board will be an initiator of policy. The Board will use the expertise of individual members to enhance the ability of the Board as a body.

- b) The Board will direct, evaluate and inspire the organization through the establishment of written policies reflecting the Board's values. The Board's major policy focus will be on SMUD's intended impacts outside the organization, not on the administrative or programmatic means of achieving those effects.

GP-2: Governance Focus

- c) Continual Board development will include orientation of new Board members in the Board's governance policies and processes, periodic re-orientation of existing Board members, and regular Board discussion of process improvement.

Questions About GP-2

- How to better utilize the Board for developing outward vision?
- How to assure full transparency of Board proceedings so the public can follow and provide comment?
- How does the Board regularly discuss and evaluate its own performance?

GP-3: Board Job Description

The specific job duty of Board members as elected representatives is to ensure appropriate organizational performance.

Specifically, the Board shall:

- a) Produce and maintain written policies that ensure high quality of governance and clear roles in decision-making between Board and staff.

- b) Regularly monitor and evaluate the performance of the General Manager.

GP-3: Board Job Description

- c) Seek to understand the strategic viewpoints and values of our customers, owners, the community and other interested stakeholders.

- d) Develop and adopt Strategic Directive policies for SMUD that define the outcomes the Board wants SMUD to achieve.

GP-3: Board Job Description

- e) Conduct a comprehensive review of the Strategic Directives every three years (or sooner, if circumstances warrant) commencing in 2013. Review the Strategic Directives regularly, on the timetable specified in each policy, and communicate to the General Manager whether the Board finds SMUD to be in compliance. For the purpose of this policy, compliance is defined as substantially meeting the requirements of the Strategic Directive.

GP-3: Board Job Description

- f) Adopt the SMUD budget on an annual basis.
- g) Serve as ambassadors for SMUD and build relationships throughout SMUD's service territory and the region.
- h) Contract with an external independent auditor to audit SMUD's finances and procedures; such audits are to be performed on an annual basis.

GP-3: Board Job Description

- i) Set the rates, rules and regulations for services and commodities provided by SMUD.

- j) Take such other actions as may be required by law.

Questions About GP-3

- How do we define Board member's roles as ambassadors for SMUD and in building relationships throughout SMUD's territory and region?

GP-7: Guidelines for Board Member Behavior

The Board and its members should act in an ethical, businesslike, productive, and lawful manner. Board members should avoid even the appearance of impropriety to ensure and maintain public confidence in SMUD.

- a) Board members shall conduct themselves in accordance with all laws.
- b) Board members should conduct themselves with civility and respect at all times with one another, with staff, and with members of the public.

GP-7: Guidelines for Board Member Behavior

- c) Board members are expected to demonstrate loyalty to the interests of SMUD owners and ratepayers. This supersedes any conflicting loyalty such as that to advocacy or interest groups and membership on other Boards or staffs. It also supersedes the personal interest of any Board member acting as a consumer of the organization's activities.

GP-7: Guidelines for Board Member Behavior

- d) Board members may not attempt to exercise individual authority over the organization except as explicitly set forth in Board policies.
 - i) Board members must recognize the lack of authority vested in them as individuals in their interactions with the General Manager or with staff, except where explicitly Board authorized.
 - ii) In their interactions with the public, press or other entities, Board members should recognize the same limitation and the inability of any Board member to speak for the Board or for other Board members except to repeat explicitly stated Board decisions.

GP-7: Guidelines for Board Member Behavior

- e) Board members shall at all times endeavor to express their individual opinions in a responsible manner, without causing harm to SMUD, to SMUD's owners and customers, or to other Board members and staff.
 - i) Each member of the Board is expected to support the legitimacy and authority of the decisions of the Board concerning any matter, irrespective of the member's personal position.
 - ii) Board members retain the right to criticize the decisions of SMUD, but in doing so should make it clear that it is their opinion, and not the opinion of the Board or other Board members, and so long as it complies with the limitations set forth in these policies. Board members are encouraged to notify the General Manager in advance when they plan to speak publicly in opposition to SMUD decisions and policies.

GP-7: Guidelines for Board Member Behavior

f) Members should prepare themselves for Board deliberations.

GP-7: Guidelines for Board Member Behavior

- g) Board members shall discourage former Board members from attempting to influence the Board, individual Board members or staff, on behalf of any third party (other than a governmental entity) from whom the former Board member is receiving compensation, on any matter that the former Board member substantially participated in during his or her tenure with the Board. This provision shall not apply to: (i) communications by a former Board member acting in his or her capacity as an individual or ratepayer and for which the Board member receives no compensation; or (ii) communications with a former Board member who has not been a Board member for more than two years.

Comments About GP-7

- Let's revisit and make sure that Board members agree on these guidelines.