

# Exhibit to Agenda Item #2

Accept the monitoring report for Strategic Direction SD-17, Enterprise Risk Management.

Board Policy Committee and Special SMUD Board of Directors Meeting  
Wednesday, November 15, 2023, scheduled to begin at 6:00 p.m.

# SD-17 Enterprise Risk Management (ERM)

Effectively balancing and managing risk to further SMUD's policies and business goals is a core value of SMUD.

Therefore:

SMUD will implement and maintain an integrated enterprise risk management process that identifies, assesses, prudently manages and mitigates a variety of risks facing SMUD, including financial, supply, operational, physical and cyber security, climate change, legal, legislative and regulatory, and reputational risk.

**SMUD is compliant with SD-17, Enterprise Risk Management Policy**

# Overview of the Enterprise Risk Program

## Approach

- Governance (Board Strategic Direction)
- Oversight & Accountability (EROOC)
- Consistent Definitions and Language (ERM Framework)
- Integration of ERM with Key Business Processes

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## Methodology

- Enterprise Risk Analysis (focused on top risks)
- Monthly EROOC Meetings
- Annual and Periodic Review of Enterprise Risk Portfolio

# Staff Proactively Prepares for & Mitigates Risks

- ✓ Wildfire & Cyber Table-Top Exercises
- ✓ Storm Response Planning
- ✓ Business Continuity Planning
- ✓ Supply Chain Management
- ✓ Critical Infrastructure Protection (CIP) Compliance Monitoring
- ✓ Commodity Hedging
- ✓ Interest Rate Risk Hedging
- ✓ Insurance – Financial Mitigation
- ✓ Reserves and Access to Liquidity and Capital

# 2023 Enterprise-wide Risk Activities and Outcomes

## **Increase leadership oversight of Enterprise Risk Management**

- Executives identify top risk focus areas for 2023-34 allowing for prioritized risk spending
- Risk Champion Network focused on identifying risk interdependencies

## **Build resiliency for future impacts and planning capabilities**

- Enterprise risk integrated into enterprise strategy and prioritization processes
- Updated SMUD's 5-year Hazard Mitigation Plan

## **Demonstrate SMUD's leadership in addressing carbon reduction**

- Continue to identify pathways towards a carbon free future

## **Bolster SMUD's ability to respond to unanticipated incidents**

- Conduct periodic tabletop exercises testing SMUD's communication and response capabilities

## **Increase operational efficiencies through the alignment of audit and risk functions**

- Reviewed and integrated 7 audit reports into risk assessments

# Changes since 2022 Board Monitoring Report

## Consolidated Risk

- System adequacy and Operational adequacy combined to Grid infrastructure and operational adequacy

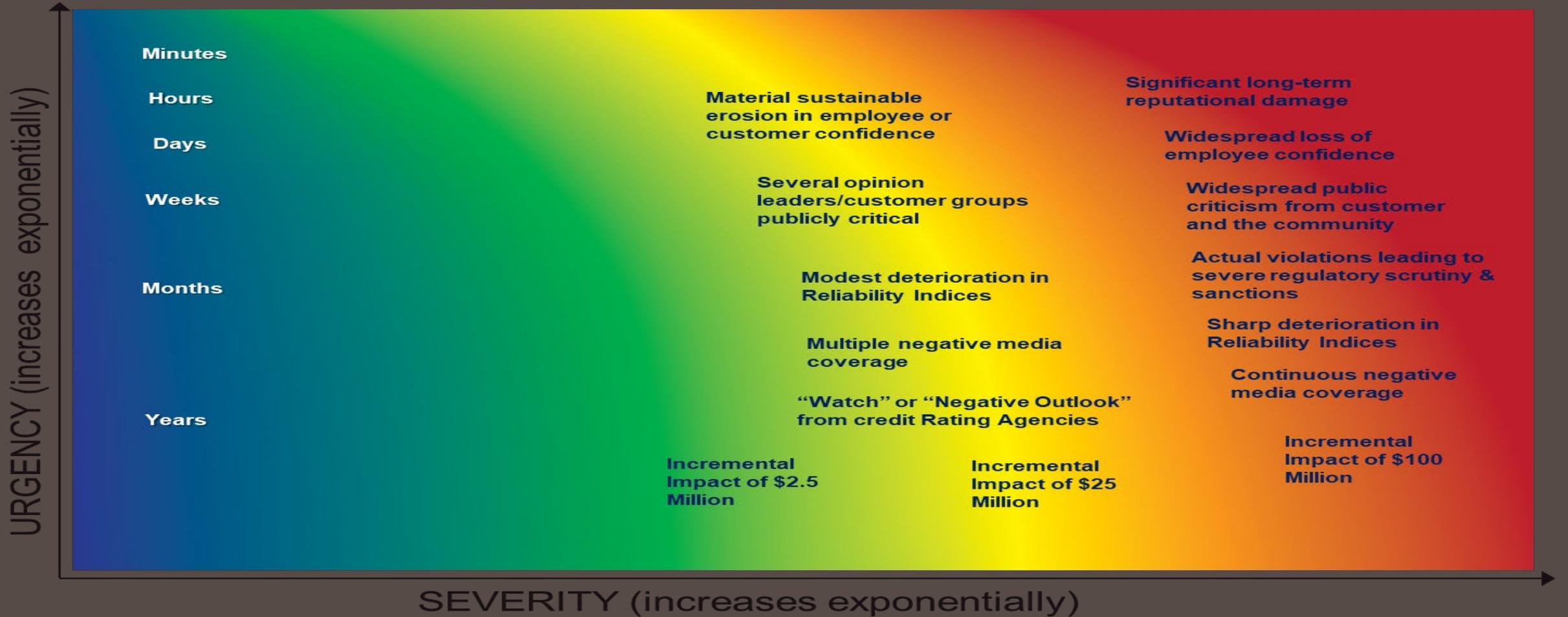
## Changed Risk

- Electrification of Transport Sector expanded to include unmanaged electrification

## New Risk

- Utility scale technology
- Renewables projects
- Severe weather

# SMUD's Risk and Opportunity Heat Map





# Questions or Discussion?