

Exhibit to Agenda Item #9

Provide the Board the Enterprise Risk Management (ERM) Quarterly Update.

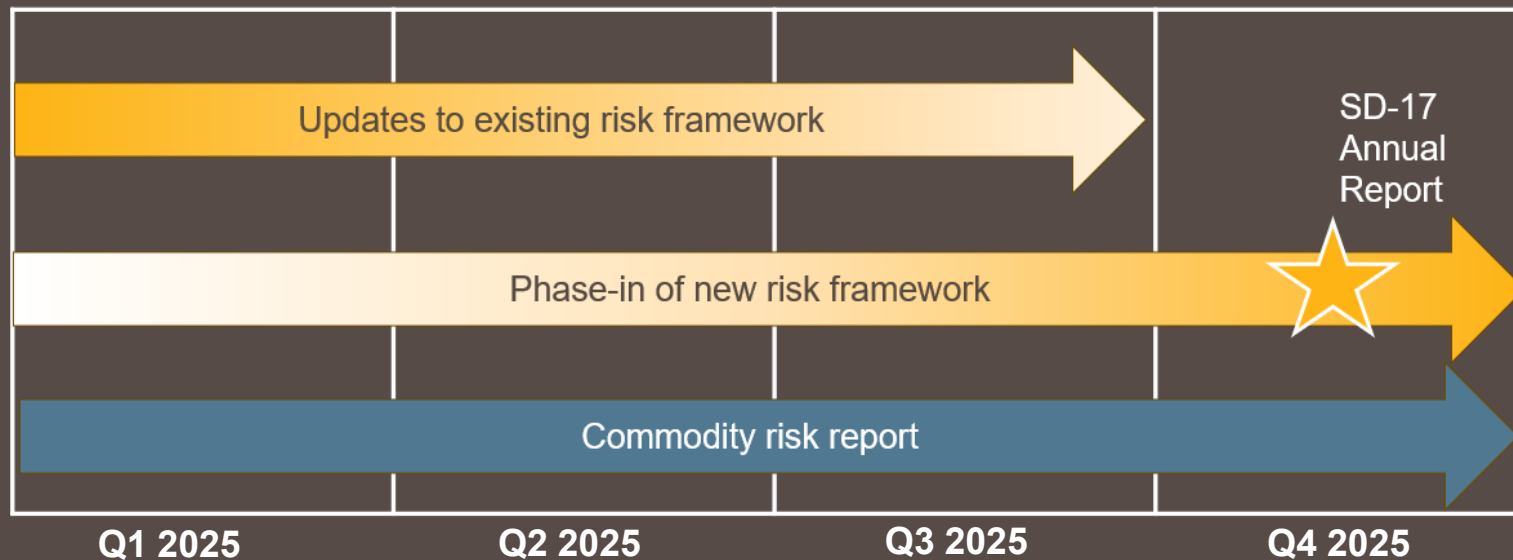
Board Finance & Audit Committee and Special SMUD Board of Directors Meeting
Tuesday, June 17, 2025, scheduled to begin at 6:00 p.m.

SMUD Headquarters Building, Auditorium

Background

Recap of 2025 Enterprise Risk Management (ERM) commitments:

- Consolidate commodity reporting and overall risk reporting in one quarterly report
- Refresh SMUD's ERM framework in response to a third-party maturity assessment
- Continue to report on our existing risk framework until the refresh is complete



Existing risk framework: Recent changes

Changes since last Board Finance & Audit presentation on February 18, 2025

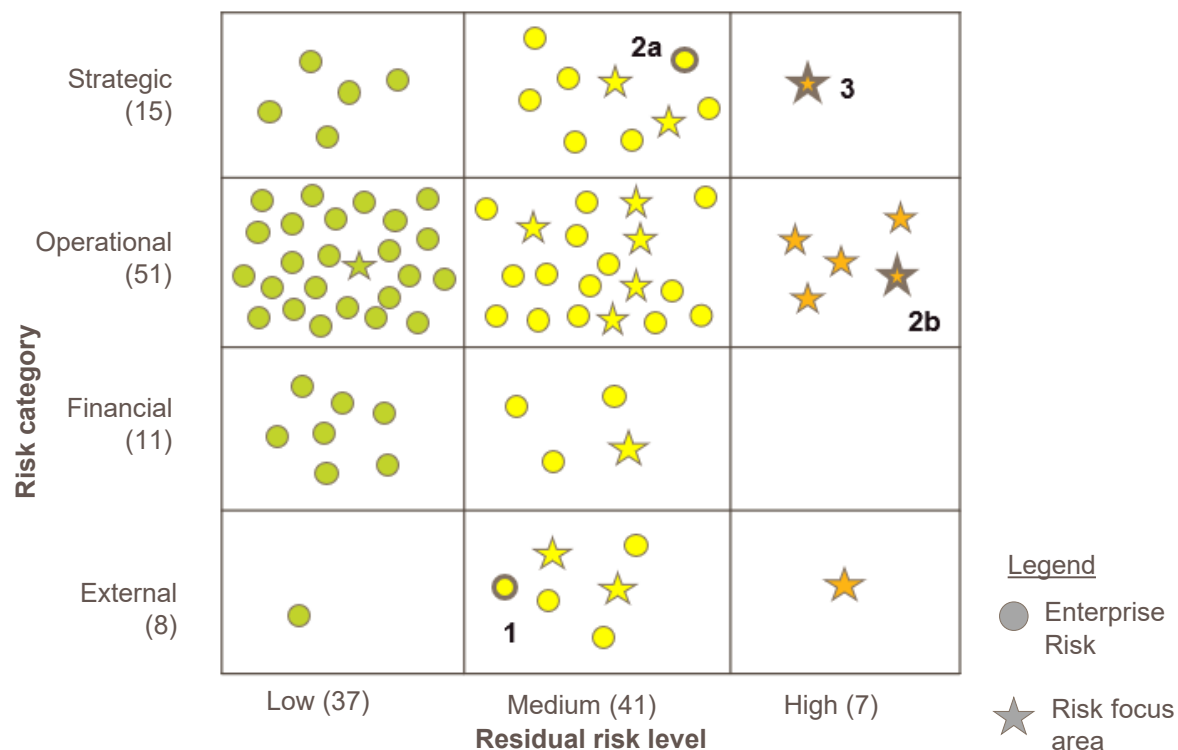
Category	Risk name	Residual risk level	Trend	Description of change	Actions taken
External	Economy: Business Agility	Low → Medium	↑	<ul style="list-style-type: none"> Risk level increased after re-assessment in March given recent Federal actions including: <ul style="list-style-type: none"> New and potential tariff changes Downgrade in U.S. credit rating and continuing concerns over inflation and recession Actual or potential shift in focus of Federal assistance including grants and tax credits 	<ul style="list-style-type: none"> Close coordination with areas of financial uncertainty Use of operational excellence to streamline processes and reduce costs Financial reserves to prepare for possible impacts, as they evolve
Strategic	Grants	Low → Medium	↑		<ul style="list-style-type: none"> Shift focus to other, available grant and partnership opportunities Monitoring of active/awarded Federal grants
	Renewable projects	Medium → High	↑		<ul style="list-style-type: none"> Close monitoring of the situation in partnership with our vendors Will update the Board as pricing impacts are clearer by the next Integrated Resource Plan update in 2026
Operational	Supply Chain	Medium → High	↑		<ul style="list-style-type: none"> Regular analysis and communication of potential impacts as tariffs evolve Update the Board regularly through Supply Chain quarterly reports



Existing risk framework - Dashboard

Purpose: Effectively balance and manage risk to further SMUD's policies and business goals (SD-17)

Summary of all risks by category and residual risk level



Risk focus areas (2023-2024)

Risk focus areas (2023-2024)		Residual risk
Strategic	Changing customer expectations	med.
	Renewable projects ^(edited)	med → high
	Unmanaged electrification	med.
Operational	Cybersecurity	high
	Data privacy	high
	Grid infrastructure & operational adequacy	high
	Grid infrastructure transmission & distribution	high
	Control center	med.
	Business continuity and disaster recovery	med.
	Physical asset security	med.
	Strategic workforce planning: Critical positions	med.
	Supply chain ^(edited)	med → high
	Employee Safety	med.
Financial	Price volatility: Commodity	med.
	Wildfire	high
External	Regulatory/legislative mandates	med.
	Severe weather	med.

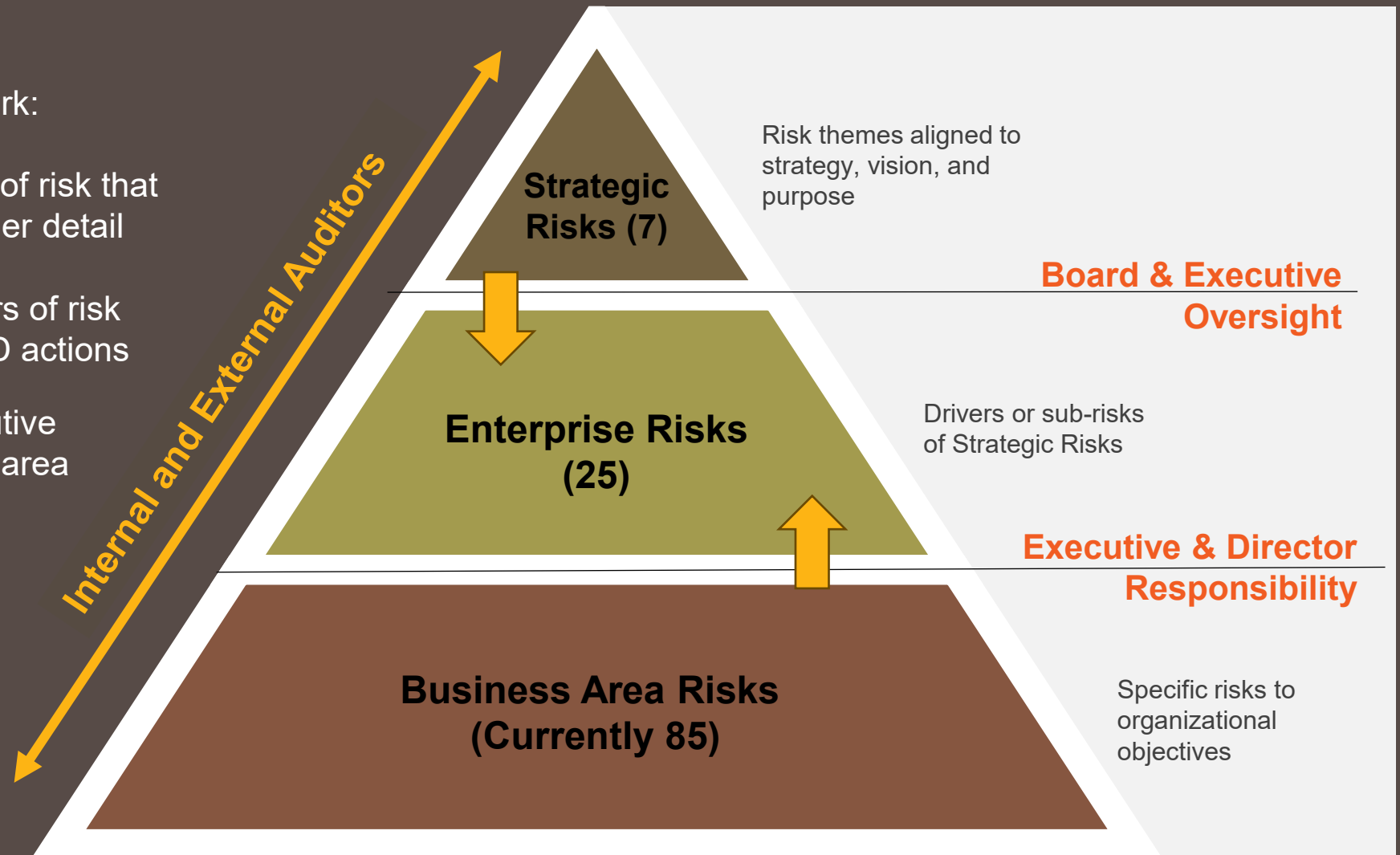
Recent Changes

#	Month	Category	Risk Name(s)	Change
1	April	External	Economy: Business Agility	Low to Medium
2		Strategic	a. Grants b. Renewable Projects	Low to Medium Medium to High
3		Operational	Supply Chain	Medium to High

New Strategic Risk Framework

Benefits of the new framework:

- A top-down, holistic view of risk that allows us to drill into further detail
- Greater insight into drivers of risk and corresponding SMUD actions
- Maintains Board & Executive insight into any business area risks that are high or escalating



7 Strategic Risks address Strategic Direction and all business functions

	Safety & Reliability		Environmental Leadership	Community Vitality	Affordability	Organizational Agility	
Strategic Direction	<ul style="list-style-type: none"> SD-6 (Safety) SD-16 (Info mgmt. & security) 	<ul style="list-style-type: none"> SD-4 (Reliability) SD-14 (System enhancement) 	<ul style="list-style-type: none"> SD-7 (Environmental Leadership) SD-9 (Resource planning) 	<ul style="list-style-type: none"> SD-5 (Customer relations) SD-13 (Economic development) SD-15 (Outreach & communications) 	<ul style="list-style-type: none"> SD-2 (Competitive rates) SD-3 (Access to credit markets) SD-11 (Public Power Business Model) SD-19 (Diversified business) 	<ul style="list-style-type: none"> SD-10 (Innovation) SD-16 (Info mgmt. & security) 	<ul style="list-style-type: none"> SD-8 (Employee Relations) SD-12 (Ethics)
Strategic Risks	1. Safety & Security	2. Reliability	3. Environmental	4. Customer & Community	5. Financial	6. Process & Technology	7. Our People
Enterprise Risks	Safety	Resource Adequacy	Clean Energy Resources	Customer Experience	Financial Management	Technology Systems	Workforce readiness
	Cybersecurity	System Adequacy	Community Decarbonization	Reputational	Commodity Management	Data Governance & Privacy	Ethics & Culture
	Physical Security	Operational Adequacy	Environmental Stewardship	Inclusive Energy Transition		Supply Chain	Future of work
	Third Party	Hazards		Inclusive Economic Development			
		Compliance		Customer Affordability			

 For review today

Customer & Community Risk

Risk statement: SMUD may lose customer trust and not be able to strengthen all communities equitably.

Strategic Direction: SD-5 (Customer relations) | SD-13 (Economic development) | SD-15 (Outreach & communications)

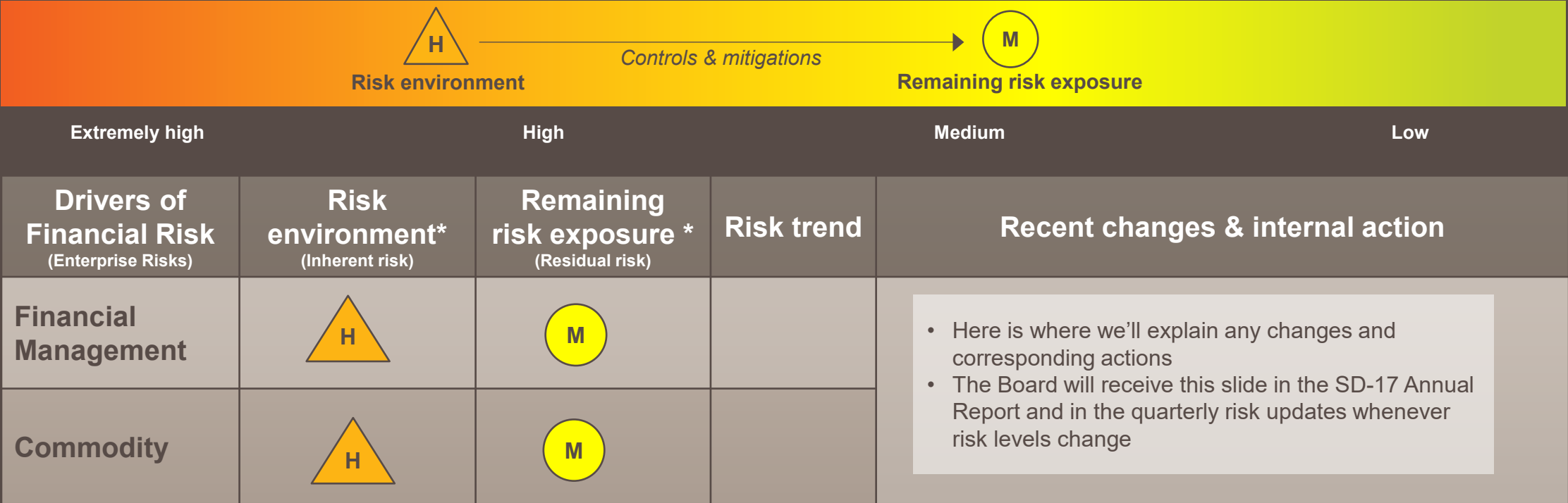


*Note: Risk ratings are preliminary and will be calibrated by senior leaders once all 7 are scoped

Financial Risk

Risk statement: SMUD may not be able to afford its critical investments while keeping rates below inflation.

Strategic Direction: SD-2 (Competitive rates) | SD-3 (Access to credit markets) | SD-11 (Public Power Business Model) | SD-19 (Diversified business)



*Note: Risk ratings are preliminary and will be calibrated by senior leaders once all 7 are scoped

Next steps

Third quarter update (Currently scheduled in August)

- Last update (Scatterplot) of existing risk framework
- Introduction of next 2-3 Strategic Risks

