

Exhibit to Agenda Item #4

Provide the Board with an informational presentation on Internal Audit and the 2026 Internal Audit Plan.

Board Finance & Audit Committee and Special SMUD Board of Directors Meeting
Wednesday, January 14, 2026, Immediately following the Policy Committee and
Special SMUD Board of Directors meeting scheduled to begin at 6:00 p.m.

SMUD Headquarters Building, Auditorium

Agenda

- Governance & Internal Audit
- Internal Audit at SMUD
- Annual Disclosures
- Key Focus Areas for 2026
- Questions

Governance & Internal Audit

SMUD's Goals

Governance

The process and structures designed to help SMUD achieve its goals

Internal Audit

Identify risks that could keep SMUD from achieving its goals

This is possible thanks to the support of the Board and Senior Management



Internal Audit Vision

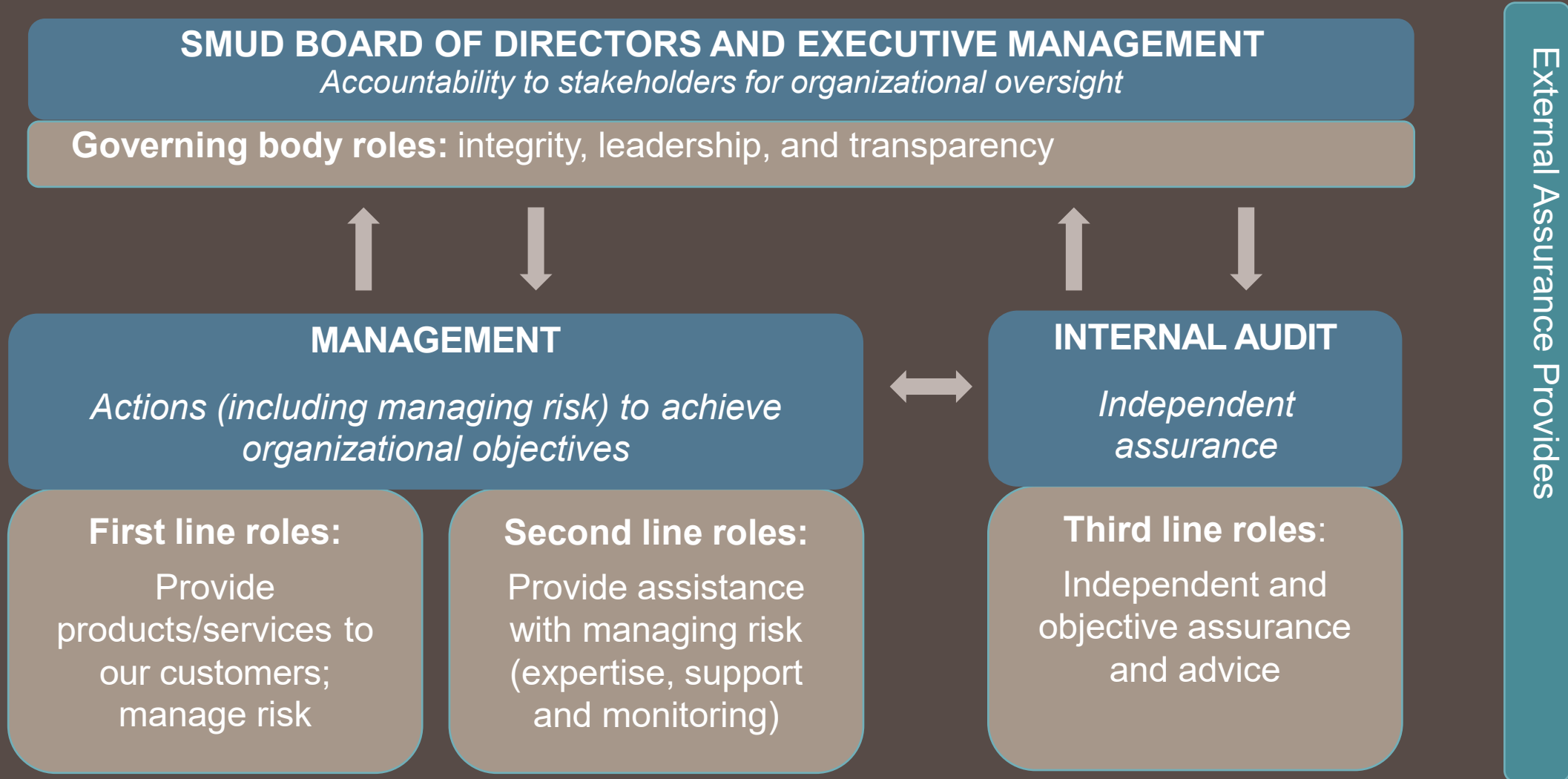
Vision

- Trusted and Valued Audit Partner
- High performing, risk intelligent team
- Help SMUD achieve its Goals

Working collaboratively builds trust and results in a more effective audit process



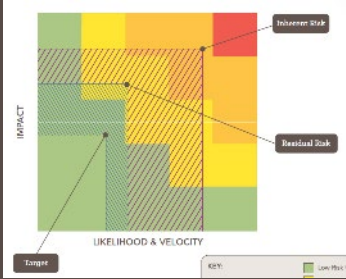
Three Lines Model



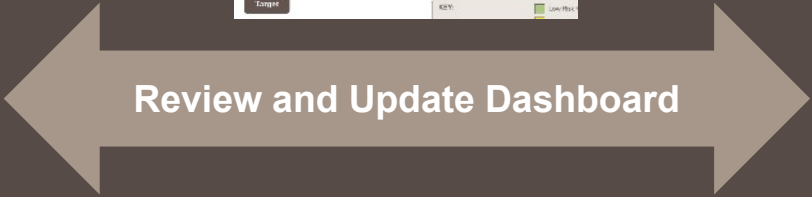
Internal Audit & Enterprise Risk Management – Audit Results

Internal Audit reviews and tests implementation of recommendations

**Internal Audit
Perform Audit of
Risk and Mitigation**



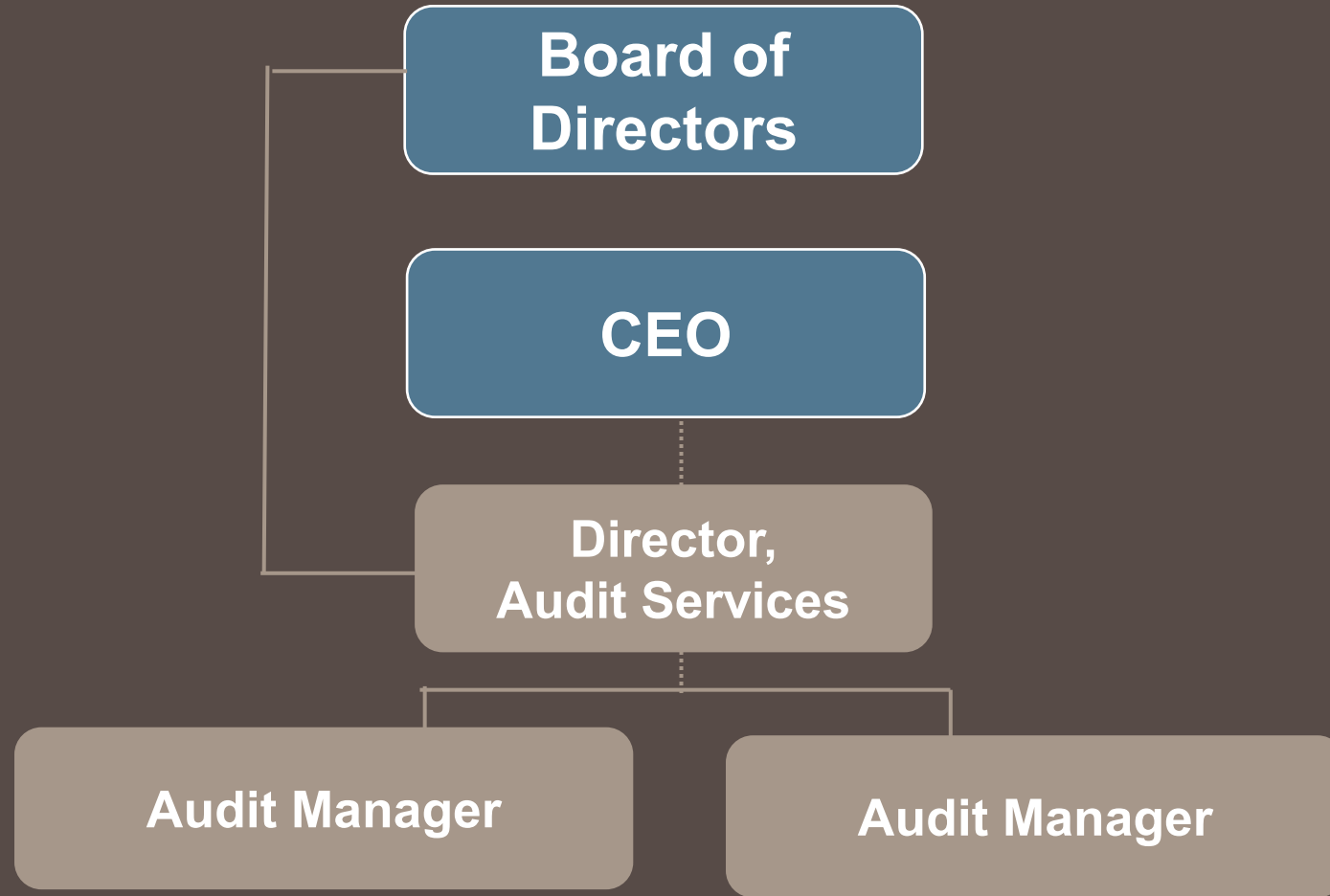
**Risk Owners
Implement Risk
Mitigation Strategy**



**Enterprise Risk
Management
Assess Impact to
Enterprise Risk**

| Strategic Pillars | Safety & Security | Reliability | Environmental | Customer & Community | Financial | Process & Technology | Our People |
|-------------------|-------------------|----------------------|---------------------------|--------------------------------|--|---|---------------------|
| Enterprise Risks | Safety | Resource Adequacy | Clean Energy Resources | Customer Experience | Economic Conditions & Financial Management | Technology Systems | Talent Management |
| | Cybersecurity | System Adequacy | Community Decarbonization | Reputational | Commodity Management | Data Governance & Privacy | Employee Experience |
| | Physical Security | Operational Adequacy | Environmental Stewardship | Inclusive Energy Transition | | Supply Chain | Strategic Workforce |
| | Third-party | Grid Resiliency | Climate Change | Inclusive Economic Development | | Artificial Intelligence & Emerging Technologies | |
| | | Compliance | | Customer Affordability | | | |

Reporting Relationship & Organization



Board-Internal Auditor Relationship

The Board-Staff Linkage BL-3 establishes Internal Audit's role

- **Reviewing accuracy of the Strategic Direction Monitoring Reports**
- **Assessing efficiency and effectiveness**
 - Operations/processes
 - Internal controls
 - Financial controls
- **Verifying compliance**
 - Applicable laws and regulations
 - Policies and procedures
- **Conducting special projects, investigations and advisory services**

BL-3 Purpose, Authority Role & Responsibilities

The purpose of Internal Audit is to strengthen SMUD's ability to create, protect, and sustain value by providing the Board and management with independent, risk-based, and objective assurance, advice, insight and foresight

Authority

- Created by the direct reporting relationship to the Board of Directors
- Allows for unlimited access to all activities, records, property, and personnel of SMUD
- Allocate resources, select audits and scope to accomplish audit objectives

Role

- Help ensure effective governance, risk management and internal controls
- Provide independent, objective assurance and consulting services
- Conduct special projects, audits and advisory services, investigations and SD reviews

Responsibilities

- Submit an annual risk-based internal audit plan to Finance & Audit Committee and conduct audit work
- Report results and recommendations of each audit and follow up on recommendations
- Maintain an improvement program

2026 Audit Plan – Key Focus Areas

- Board Monitoring Reports
- Benefits Administration
- Cranes and Other Hoisting Equipment
- Cybersecurity Governance Advisory Review
- Energy Trading and Risk Management
- SAP S/4 HANA Assurance Reviews
- Transmission Vegetation Management Plan