Exhibit to Agenda Item # 3

Board Finance & Audit Committee Meeting and Special SMUD Board of Directors Meeting

Tuesday, January 14, 2020 scheduled to begin at 5:30 p.m.

Customer Service Center, Rubicon Room
Enterprise Risk Management (ERM) is a strategic approach to risk management that

- Supports the achievement of organizational objectives through an enterprise-wide management of identified risks to SMUD within an integrated risk portfolio.

- Focus is impact to SMUD’s business and operations.
Evaluation Framework

– Programmatically identifies and scores risks using a defined rubric, thus providing a common scale to measure risks across the enterprise

– Provides foundation to monitor status and mitigation efforts for changes to residual risk to SMUD

– Measures a risk’s:
  • Impact
  • Likelihood and
  • Velocity
ERM Evaluation Scoring Methodology

**Risk: Impact + (Likelihood + Velocity)/2**

- **What can happen?**
  - Financial
  - Reputational
  - Legal/Compliance
  - Workforce
  - Strategic
  - Operational

- **How prepared are we to react?**
  - Mitigation Plans
  - People
  - Process
  - Technology

- **How quickly could it happen?**

  **Risk Matrix**

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  **What are we doing to prevent it?**
  **What plans do we have in place to minimize the damage?**
SMUD’s Risk from Climate Change

- Staff recognizes the long-term impacts that climate change could have on SMUD’s business operations and finances.
- Some of these risks include increasing peak demand leading to resource constraints plus new Integrated Resource Plan requires significant investments to achieve.
- Climate Change - Increased from low “green” to medium “yellow”