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HOW IS RISK MANAGEMENT ORGANIZED AT EXELON?

I report directly to the CEO. Five years ago, we had a risk management organization/program dedicated to supporting our trading business, focused primarily on financial risks (market and credit). During the last five years, we have established a broader enterprise risk management (ERM) program to supplement our best-in-class commercial risk.

The ERM program is composed of two elements. We have an ERM Operations group—senior risk professionals embedded in our operating companies (including Generation & Utilities)—which had not been a focus. In addition, we have established the ERM Analytics team to address strategic risk management. ERM Analytics is responsible for a broader review of our business risks, strategic risks, emerging risks, and disruptive trends. They look at the whole portfolio and develop the CRO report for the board at every meeting. ERM also provides risk management support in our business services group, which houses finance, HR, supply, IT, and strategy.

Five years ago, I could only give you our exposure in our trading business, but not across our enterprise. We now have an expanded scope and we evaluate and aggregate risks across the broader enterprise in one snapshot. This is also a much leaner team, yet with an enterprise perspective.

AS CRO, WHAT IS YOUR VIEW OF REPORTING DIRECTLY TO THE CEO?

I believe, it is critical. If I wasn't a direct report to the CEO, I would lack visibility to my colleagues managing various parts of the business. I have a seat at the table as a peer and can participate in decision-making as a full team member. This reporting structure elevates the standing of risk across the organization in terms of how you influence and drive priorities or initiatives.

ANY OTHER BENEFITS OF BEING A DIRECT REPORT TO THE CEO?

Well, without that there's the potential of limiting the potential impact of risk management to a narrower role. There is another key factor: We have board members with deep banking and private equity backgrounds and they "get" risk management. They insisted on a standing risk committee of the board, with active participation across the board. It is where transactions come up for review and approval and risk topics are discussed. As part of that, I am expected to participate, present, and help manage the board agenda with respect to risk priorities. It's just a different dynamic when reporting to the CEO.

HOW DO YOU GO ABOUT CREATING A POSITIVE RISK CULTURE AT MORE JUNIOR LEVELS?

Our goal is to always come to the table with a range of solutions to potential issues. We challenge ourselves not to say "No," but to highlight the risks and uncertainties and to have mitigations and contingencies we can deploy if needed. Part of our strategic vision and mission is no negative surprises while keeping costs down.

We also work to ensure that we don't provide an expensive, unclear value proposition. Finance, HR, and other functions have a clear product, but risk can become fuzzy. So, we say, don't block; instead, be a proponent of growth, an enabler of effective/practical solutions, by making risk transparent and understood. We try to make the risk product a clear set of deliverables, so people see what we bring to the table on a consistent basis. No more lunches where we ask what keeps you up at night. We have a defined process, structure, templates, and deliverables. Everyone should know the role of risk and what purpose we were invited to play and the product we deliver.

HAS THE MIX OF TALENT IN YOUR RISK FUNCTION CHANGED?

We're trying to diversify the pool of talent in various ways. We are reaching out internally and externally and encouraging top talent with deeper knowledge and experience in the business to join risk and transform the business. To afford that talent, we are deploying technology, redesigning our processes, rewriting policies, and changing our approaches to be a more efficient organization. We're taking repetitive mechanical work out of our domain and using those savings to upgrade the talent.

CAN YOU GIVE US AN EXAMPLE OF WHERE THAT'S WORKED?

We've streamlined and automated much of credit review and approval to address the more repetitive elements associated with internet searches, balance sheet reviews, and credit metrics. Furthermore, instead of elevating counterparty credit approvals, they are delegated down based on a set of established criteria and that has helped to create a culture of ownership and accountability.

GOING FORWARD, WHERE DO YOU SEE THE MOST PROMISE IN TECHNOLOGY?

Our CEO has been championing innovation and automation for some time now, and it's a core area of focus for the organization. We are working to apply AI and RPA and have dedicated personnel in risk to drive automation innovation and to train our team in deploying technology. We are training everyone to develop expertise in these tools and intend to boost these initiatives in the next two to three years. Also, three to four years ago we took our key risk reports and created our own real-time, dynamic risk dashboard. All our risk reports, market information, prices, and so on are on my iPad on a real-time basis.

The results are real. For example, we've optimized the confirmations group and we're working on an AI application to further streamline processes. In predictive analytics, we've done work with system dynamics around technological risks and want to apply AI to automate data uploads to our system to support long-term planning. Some of these initiatives are resource-focused, some are risk-focused, and some are business-focused.

WHAT'S IMPORTANT IN MAKING THIS HAPPEN?

Change management is key. We're working to do a much better job of motivating and getting everybody excited enough to embrace the opportunities/initiatives. The key part of success is not only the approach to capturing and monetizing the potential savings, but also always addressing change management to ensure it's sustainable.

ANY OTHER OBSERVATIONS THAT YOU WOULD LIKE TO SHARE?

Just that risk has to be aligned with the organization strategy, and not viewed as a tactical compliance function. It's got to be integrated into the business and strategy to create tangible value.