

ERM VIDEO INSIGHTS

Transcript of Keith Butler and Don Pagach *Insights about the Role of a Chief Risk Officer*

Don: Hi I am Don Pagach, I am the director of research here at Enterprise Risk Management Initiative at NC State University and in this video today we are going to be talking about the role of the chief risk officer. Luckily, we have chief risk officer here with us. Keith Butler, from Duke Energy, is going to be talking about his experience in the past year and the role of chief risk officer. Can you tell us a little bit about your background and your experiences before becoming the chief officer?

Keith: Sure, thanks Don and thanks for having me here. So I have been with Duke 32 years and part of what I think really prepared me to be chief risk officer is, I served in a lot of different roles over those 32 years. I've been on the finance organization, I've been in leadership roles, but more importantly I was in the operations. And I think having that knowledge and base and understanding how the company operates, how the company makes money, where the risk are in the operations aspect, really prepared me well for this role.

Don: Excellent. And so you've become the chief risk officer about a year ago, how has your role changed in this past year, how is it different from the previous 31 years?

Keith: Sure. You know what's interesting and has been the most challenging for me in this role is, especially my two previous roles, I was corporate controller and then I was head of tax department. Those two roles, like some of the other roles I've had over the years is they're very rule driven, very role specific. In the controller job I could pull the gap, where the (some word I can't make out) rolls off the shelf, and understand okay this is what we need to do. Same thing with the tax job, it was very rule driven, you could pull the tax code, you could pull the case all out. And it defines and it tells you where to go, and yes there is grey areas in both. What I've really found in the chief risk officer, is there are no rules. Now there is COSO and ISO and so forth, and there is some guidance out there, but really you are making up the rules and it's still a very evolving role in process in most companies.

Don: Wow. So how does the reporting function work at Duke Energy, who do you report to and how do you see a role with the board of directors?

Keith: I report to the executive vice president and chief financial officer, but I have the privilege of being directly involved with the finance and risk management committee of the board and that's the main board committee who has the obligation and accountability to the share holders and the rest of the board to monitor the risk of the organization. With that, I get to sit in the full meetings with the exception of the executive sessions of the finance and risk

management committee. So I get to hear it from their perspective, see it from their perspective, and also it gives me the one-on-one relationships with each of the members on the finance and risk management committee.

Don: What do you see the main benefits for Duke Energy, having the chief risk officer role. Some companies don't have the chief risk officer role. What do you think the main benefits have been?

Keith: You know it's still evolving for me and I'm still learning, only 9 months in the job. But it amazes me that every fortune 500 company doesn't have a senior chief risk officer now that I have been in the job. Part of it is, I don't own the risk, but I am accountable to the organization for identifying and monitoring those risks and really making sure I'm driving the risk culture in the company. That is the real benefit, is having someone at a very senior level, working with the top senior officers in the company, interacting with the finance and risk management of the board, and helping drive the culture through the whole organization.

Don: That's a good point that you bring up, that you don't own the risks. Is it hard to get people in the organization to recognize that you're not the risk owner but really they're the risk owners and you're really kind of the conductor of the orchestra?

Keith: Thankfully at Duke Energy, no. I've got to thank the most senior management for that because they drove the culture, in fact at Duke Energy we believe every employee and every contractor that works on anything related to Duke is a risk manager. And that's coming down from the CEO all the way down to her full staff, and having that culture, having that emphasis has helped to say Enterprise risk management is not the owner of the risk but we're the owns that help the corporation and the employees identify, monitor, manage, and mitigate those risks.

Don: So it's been a great experience taking on this role?

Keith: It has, it's a learning experience, it's something that I sought after, I expressed interest in saying. Duke is good about developing our leaders and I went out and sought this role because I believe it's a very critical role for companies like us.

Don: Well thank you so much.

Keith: Great thank you.