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AN EXELON COMPANY



ComEd's Second Annual Ethics and Compliance Report to the Illinois Commerce Commission

2023

Introduction

ComEd CEO Gil C. Quiniones: Our Ethics and Compliance Progress Continues



On behalf of ComEd and each of our more than 6,300 employees, I am pleased to present to the Illinois Commerce Commission this second annual report on ComEd’s ethics and compliance performance.

ComEd serves more than 9 million people who live and work in communities across northern Illinois. Our commitment to them is to provide safe and reliable electric service at low costs. But our responsibilities to our customers and communities do not stop there. To be deserving of their trust, we also must ensure that we set and meet the highest standards for ethical behavior and integrity and comply with all applicable laws and regulations.

In the nearly three years since ComEd entered into its Deferred Prosecution Agreement (DPA) with the U.S. Department of Justice, we have taken many actions to substantially enhance our compliance program. Still, we know this work is never done. In 2022, we implemented additional changes to make our policies and practices even more effective and further tighten controls. We are committed to carrying that work forward.

To cite a few examples of our efforts in 2022: We implemented a new, stand-alone Supplier Code of Conduct that clearly articulates the responsibilities of companies that do business with us. We reviewed and updated numerous policies and procedures related to topics ranging from political contributions to management of company records. We also implemented new tools to strengthen processes that support our compliance activities. We responded to evolving external conditions by enhancing cybersecurity governance and compliance processes. And we created the [Ethics and Standards of Conduct](#) page on ComEd’s website to enhance transparency around our compliance program as well as ComEd’s lobbying and political activity.

While the ComEd leadership team and I lead this work, it is not our responsibility alone. Every ComEd employee is expected to consider their decisions and actions through the lens of ethics and compliance. This expectation is reflected in enhancements made to employee training and engagement activities in 2022, and to our employee performance evaluation standards (launched in early 2023). It is the subject of frequent and ongoing conversations with our people as we continue to build a strong and lasting ethics and compliance culture.

As this Report shows, ComEd continues to work hard to make ethics and compliance a top priority so that we may continue to have the privilege of providing safe, reliable, clean and affordable electric service to our customers. We invite the Commission and others in our communities to learn more about our efforts.

Sincerely,
Gil C. Quiniones
CEO, ComEd

I. Executive Summary

A. Overview of ComEd's ethics and compliance program

ComEd's ethics and compliance program is responsible for the Company's compliance with its legal and regulatory obligations and for sustaining a culture of ethics and integrity. ComEd's ethics and compliance program, which is integrated with that of its corporate parent, Exelon, is overseen by Exelon's Compliance & Ethics department ("Compliance & Ethics").

Compliance & Ethics manages certain compliance functions directly and provides governance and oversight of more specialized compliance functions housed elsewhere in the organization. In addition to promoting independence, providing compliance services at the corporate level enables ComEd and the other Exelon operating companies to benefit from each other's experience in addressing compliance issues and gain efficiencies by sharing resources and expertise.

Compliance & Ethics is led by Exelon's Chief Compliance & Ethics Officer. The Compliance & Ethics department reports to Exelon's Executive Vice President, Compliance, Audit, and Risk, who in turn reports to Exelon's Chief Executive Officer and the Chair of the Audit and Risk Committee of Exelon's Board of Directors and serves on Exelon's Executive Committee. Exelon's Executive Vice President for Compliance, Audit, and Risk also currently serves as the designated Chief Compliance Officer for ComEd. This reporting structure, which lies outside ComEd's and Exelon's operational reporting chains, enhances the independence and influence of the Compliance & Ethics department.

Compliance & Ethics directly manages certain core compliance functions. These include implementation, guidance, and enforcement of [Exelon's Code of Business Conduct](#) ("COBC"); training on the COBC and other company-wide Compliance & Ethics topics; operation of the Help Line for reporting concerns and seeking guidance on Compliance & Ethics matters; overseeing investigations of potential violations of the COBC and [Exelon's Supplier Code of Conduct](#); conducting compliance risk assessments; and compliance with laws, regulations, and company policies relating to interactions with public officials. It also leads Exelon's Anti-Fraud program jointly with Exelon's internal audit function, Exelon Audit Services ("EAS"), and has oversight of privacy and records management compliance.

Compliance programs embedded elsewhere in the business retain principal responsibility for certain specialized areas of compliance. While these programs do not report to Compliance & Ethics, Compliance & Ethics monitors their effectiveness and provides coordination and oversight. The most significant specialized compliance programs for ComEd are:

- **ComEd Regulatory Compliance:** This unit housed within ComEd is responsible for ensuring ComEd’s compliance with ICC regulations and Illinois laws affecting public utilities.
- **NERC Compliance:** Exelon’s NERC compliance team, which consists of both corporate resources and dedicated NERC compliance staff in each utility, including ComEd, is responsible for overseeing compliance with regulations issued by the North American Electric Reliability Corporation (“NERC”) and the Federal Energy Regulatory Commission (“FERC”) to protect the bulk electric system. The NERC Compliance program receives extensive support from Compliance & Ethics.
- **Environmental, Health, and Safety Compliance:** This program, with resources in both Exelon and ComEd, oversees and coordinates compliance by Exelon’s operating companies with federal and state environmental, health, and safety laws and regulations.

ComEd receives support for other compliance obligations from units throughout Exelon. Responsibility for compliance with FERC obligations is shared among various departments on a functional basis. ComEd’s Regulatory Policy & Strategy team oversees ratemaking and tariff compliance. Exelon’s External Financial Reporting team oversees FERC Form 1 filing obligations with support from ComEd Regulatory Policy & Strategy and Accounting. Accounting ensures compliance with FERC accounting rules. The federal energy regulatory team within the Legal Department advises and supports ComEd and the other Exelon utilities in federal regulatory filings and regulatory compliance matters. Compliance & Ethics oversees compliance with FERC’s Standards of Conduct.

Compliance with laws and regulations relating to cybersecurity and supply chain security is coordinated among Exelon Legal, Compliance & Ethics, Corporate and Information Security Services (“CISS”), Information Technology, NERC Compliance, and Supply.

Compliance & Ethics regularly communicates with leaders and employees across ComEd and Exelon’s other operating companies through a variety of formal and informal means. These include presenting at and participating in Risk Management Committee meetings for ComEd and the other operating companies, as well as senior leadership meetings and other meetings focused on compliance-related topics. Compliance & Ethics also responds to inquiries and requests for guidance and maintains close working relationships with senior leaders in ComEd and throughout Exelon. Compliance & Ethics works closely with ComEd’s Human Resources, management, and Legal teams on issues relating to employee conduct and workplace culture.

Compliance & Ethics, Legal, and EAS regularly monitor external developments relevant to compliance obligations, including legal and regulatory changes and enforcement actions, and share information, guidance, and lessons learned with internal stakeholders.

Exelon's Executive Vice President for Compliance, Audit, and Risk and its Chief Compliance & Ethics Officer provide quarterly reports to the Exelon Board's Audit and Risk Committee regarding Exelon's Compliance & Ethics program. These reports include information about significant Compliance & Ethics initiatives, compliance risk assessments, significant compliance incidents, significant new and pending ethics investigations, and data concerning compliance activity and trends. The Audit and Risk Committee also receives quarterly reports on compliance with Exelon's policies regarding interactions with public officials, including information about all requests, referrals, and recommendations received from public officials during the reporting period and the disposition of each request, referral, and recommendation.

The Executive Vice President for Compliance, Audit, and Risk also reports quarterly to the Board of Directors of each Exelon utility, including ComEd. Because the Compliance & Ethics program is managed at the parent company level, this reporting differs from the reporting provided to the Exelon Audit and Risk Committee. ComEd's Board (like the boards of Exelon's other utilities) receives quarterly reports on interactions with public officials, including reflecting the disposition of each request, recommendation, and referral received from a public official, as well as reports regarding notable compliance and ethics investigations, an annual review of the compliance risk assessment, and updates regarding significant compliance matters specific to ComEd.

B. Material changes to ComEd's Compliance & Ethics program

ComEd and Exelon made a number of material changes to its compliance program during the year for which this report is filed (2022), and additional changes are planned for 2023.

Material changes during 2022¹ included:

- Creation of a separate Supplier Code of Conduct. Previously, suppliers were subject to the COBC, which was not exclusively tailored to suppliers.
- Updates to multiple compliance, audit, and risk management policies and related documents, including:
 - Exelon Code of Business Conduct
 - Corporate Compliance Program
 - Anti-Bribery and Anti-Corruption Policy
 - Interactions with Federal, State and Local Public Officials
 - Due Diligence and Monitoring Procedure for Third Parties Engaged in Political Consulting and Lobbying Activities
 - Referrals, Recommendations, and Requests from Public Officials Regarding Employment Decisions

¹ Certain items listed here were completed in 2022 prior to the filing of ComEd's first annual Ethics Report on April 27, 2022 and were referenced in the section of that report describing compliance enhancements completed in or planned for 2022.

- Vendors and Suppliers Affiliated With or Referred, Recommended, or Requested by Public Officials
 - Corporate Political Contributions Policy
 - Corporate Contributions Guidelines - Contributions of Money, Property and Services
 - Enterprise-Wide Travel & Entertainment, Corporate Credit Card and Expense Reimbursement Policy
 - Exelon Spending Policy and Authorization to Contract with Suppliers
 - Insider Trading Policy
 - Corporate Integrated Privacy Program
 - Protecting Exelon Information
 - Exelon Records Retention Schedule.
- Transition of executive oversight of Enterprise Risk Management (“ERM”) from Exelon’s Finance organization to the Exelon Executive Vice President overseeing the Compliance & Ethics and EAS functions to support closer coordination among these three control-focused groups.
 - Enhancement of cybersecurity governance and compliance processes, including by establishing regular senior-level coordination meetings involving Exelon’s information security, Legal, and Compliance & Ethics teams, and adding resources to support compliance with expanding cybersecurity-related regulatory obligations.
 - Review of Exelon’s policies and procedures regarding trade sanctions compliance.
 - Creation of a dedicated supply chain compliance team within Exelon’s Supply organization to enhance the focus on supply-related compliance issues, including compliance with NERC-CIP procurement requirements, supply chain cybersecurity risk assessments, compliance with internal policies relating to interactions with public officials and the use of vouchers, and compliance with expense policies.
 - Deployment of a technology-enabled information classification system to strengthen Exelon’s information protection and record management processes.
 - Expansion of the questions asked regarding ethics and compliance topics in Exelon’s periodic employee engagement survey, which assesses employee views regarding a wide range of workplace issues. For the survey conducted in 2022, Compliance & Ethics partnered with Human Resources (HR) to add five new compliance-related questions to the three used in previous surveys. After the survey was completed, Compliance & Ethics analyzed the results for compliance and ethics issues and shared the results with business leaders and Human Resources teams. The information shared included insights and trends from the data, as well as information about supervisory groups whose scores on ethics topics suggested a need for follow-up. Compliance & Ethics will review the results of that follow-up with Human Resources.

- Mandatory use of ethics scenarios for training of ComEd employees. In late 2021 and early 2022, ComEd piloted the use of ethics scenarios for executives to use in team discussions to help employees learn to better recognize and more confidently address ethics issues. These scenarios (there are now ten) are based on actual incidents from ComEd and elsewhere across Exelon and include discussion guides and reference resources to help executives effectively lead the conversations. In March 2022, ComEd made use of these scenarios mandatory. ComEd requires vice presidents, with the assistance of director and senior-level managers, to deliver this training at least quarterly to non-represented employees and at least twice a year to represented employees.
- Completion of an initiative to enhance Exelon's NERC compliance practices. In late 2022 and early 2023, Exelon's NERC compliance team reached the concluding stages of an initiative, which began in late 2020, to review and strengthen the company's NERC compliance practices. The project analyzed data from NERC compliance incidents, reviewed the effectiveness of programs and processes for compliance with NERC standards, evaluated existing processes used to assess compliance incidents, implemented 16 changes to strengthen the NERC compliance program, and worked to strengthen the culture of compliance concerning NERC obligations. The final stages of this initiative will be underway in the spring of 2023 and includes completing effectiveness reviews to assess the implemented improvements, as well as an analysis of the program's effect on reducing the number of actual and potential non-conformance incidents.

Material changes anticipated or already completed during 2023 include:

- Creation of an ["Ethics & Standards of Conduct"](#) page on ComEd's website, making publicly accessible in one location information relating to ComEd's Compliance & Ethics program, including key compliance policies, ComEd's annual Ethics Report filed with the ICC and the ICC Ethics Monitor's Report in response, lists of external lobbyists and political consultants, political contributions, and lobbyist activity reports, and a link to report an ethics concern or ask a question. (Completed)
- Modification of Exelon's performance management standards to more explicitly link annual performance appraisals, which are a factor in employee compensation, to compliance and ethics considerations. (Completed)
- Updates to multiple key compliance, audit, and risk management policies, including:
 - Corporate Compliance Program Framework (Completed)
 - Reporting Potential Violations of the Exelon Code of Business Conduct and Supplier Code of Conduct (Completed)
 - Investigating Alleged Violations of the Exelon Code of Business Conduct (Completed)

- Enterprise Risk Management Program Framework (Completed)
 - Risk Appetite Statement (Pending)
 - Merger Commitment Tracking Process (Pending)
 - FERC Interlock Procedures (Pending)
- Strengthening Exelon’s exit interview process to ensure it adequately captures concerns about compliance and ethics issues, and that there is a clear process for escalating to Compliance & Ethics any concerns identified through exit interviews. (Pending)
 - Enhancing compliance-related communications and resources for employees by increasing the number, cadence, and accessibility of communications, including by increasing the volume of communications, training, and reference resources for employees and managers that draw on actual incidents to illustrate compliance risks, controls, and consequences for misconduct. (Pending)
 - In addition to these initiatives, Compliance & Ethics conducts annual reviews of its Code of Business Conduct, as well as the four policies relating to interactions with public officials. (Pending)

Finally, pursuant to 220 ILCS 5/4-604(g), in September 2022 the Commission initiated an ethics and compliance management audit of ComEd addressing, “at a minimum, the topics identified in paragraphs (1) through (6) of subsection (f)” of Section 4-604. Because of its timing, this annual Report is prepared without the benefit of conclusions and recommendations from that audit. ComEd has cooperated fully with the audit and is committed to addressing any findings and recommendations that may result from it.

II. Financial and Accounting Controls and Related Procedures

A. Summary of financial and accounting procedures, internal controls, and practices

ComEd and Exelon maintain a robust set of financial and accounting procedures and internal controls.

Exelon's Accounting and Disclosure Governance Committee ("ADGC") assists the Chief Executive Officers and the Chief Financial Officers of Exelon and each operating company, including ComEd, in overseeing the accuracy and timeliness of financial disclosures. The ADGC's principal responsibilities include overseeing the establishment and effective execution of controls to ensure the accurate recording, processing, and reporting of information required to be disclosed; monitoring the effectiveness of these controls; reviewing and supervising the company's disclosure statements for filing with the Securities and Exchange Commission ("SEC"); and evaluating the effectiveness of the company's disclosure controls. The ADGC includes representatives from Controllershship, Finance, Tax, Legal, Treasury, EAS, and Investor Relations, among other groups. Exelon's and ComEd's Chief Financial Officers are among the members of the ADGC, as are Exelon's Controller and Executive Vice President for Compliance, Audit, and Risk, and the accounting directors for each Exelon utility. Exelon's annual Form 10-K, publicly filed with the SEC, summarizes information about critical accounting policies and estimates. ([Exelon's 2022 Form 10-K is available here](#); see pp. 49-55.) Exelon also maintains a process by which its Controllershship and Tax groups identify, track, and resolve accounting issues. ComEd's Accounting group participates in this accounting issues resolution process.

The Sarbanes-Oxley ("SOX") law and the SEC's rules on Management's Report on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports require a public company to maintain a sound internal control structure for financial reporting, assess its effectiveness, and disclose the result of that assessment in its annual reports. Each of Exelon's SEC registrants, including ComEd, makes annual representations regarding the effectiveness of its Internal Controls Over Financial Reporting ("ICFR"). In assessing their internal controls, ComEd and Exelon use the criteria in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Exelon has identified Key Financial Controls ("KFCs") relating to a wide range of financial and operational practices relevant to financial reporting for Exelon and its subsidiaries, including ComEd. Assessing ICFR is a core mission of EAS, which seeks through its work to drive quality in financial reporting controls beyond the requirements of SOX and strengthen the overall control environment.

Each year, EAS develops an audit engagement plan that incorporates ICFR assessments into broader assurance engagements to provide deeper insights into the control environment and enable control enhancements. These assessments include reviews of the design effectiveness of KFCs and their operating effectiveness and may also include benchmarking. Additionally, EAS oversees the testing of the control design and effectiveness of IT General Controls as required by SOX, which is conducted by a third-party vendor.

EAS begins each annual cycle of ICFR assessments with a risk-based review of in-scope accounts, associated control processes, and supporting systems. It assesses risks based on a range of factors that include changes in the business, industry, key personnel, systems, and controls; regulatory developments and changes in accounting guidance; and issues identified in prior years.

EAS assesses control design by using walk-throughs of processes; tracing transactions from origination through processes and systems until they are reflected in financial records; and by looking for points within the process where material misstatements could occur and ensuring that controls minimize the risk of misstatements arising at those points. EAS tests the effectiveness of controls through sampling, with the extent of the sample determined by the frequency of the control's operation, relative risk impact and likelihood, complexity, materiality, and assessment history. For a limited number of controls, automation allows EAS to test the full population of transactions.

All KFCs identified as high risk are tested each year; others are tested on a three-year cycle, or more frequently as determined by EAS based on the annual risk assessment it conducts for purposes of planning its audit engagements.

Each KFC is assigned an owner who is responsible for maintaining and executing the control. The owner's responsibilities include maintaining process documentation, executing controls as designed; reporting to EAS any changes in process, systems, and personnel; providing evidence to EAS and Exelon's independent external auditor, demonstrating that the control has been operating as designed; and certifying annually to the proper execution of the control.

EAS maintains detailed records of controls, ownership, testing, and any deficiencies, as well as of ownership and execution of any measures to remediate control deficiencies. In certain circumstances execution of KFCs is supported or conducted by vendors, and in those circumstances each vendor is required to provide Exelon annually with a Systems and Organizations Controls ("SOC") 1 report² demonstrating a strong control environment.

EAS provides quarterly management reports to senior business leaders detailing all SOX and audit findings, including ownership and remediation status. All executives whose departments or functions are responsible for remediating KFC deficiencies also receive

² A SOC 1 report addresses controls at a service organization that are relevant to user entities' internal control over financial reporting.

this report. EAS reports the number of KFC deficiencies to the Audit and Risk Committee of Exelon's Board at least annually.

EAS has taken actions in recent years to strengthen the control environment and reduce the number of control deficiencies. These include targeted audit engagements and training in areas with a history of control deficiencies, efforts to assist business units in strengthening the reliability of their data, and a focus on improving understanding and accountability among owners of IT controls. During the recent pandemic, EAS provided guidance to control owners about the effective execution of their controls in a remote work environment and testing the continued effectiveness of controls in that environment. Additionally, after observing a correlation of control deficiencies with turnover in control ownership, EAS created an automated process during 2020 for notifying EAS of personnel changes that could affect KFC ownership, in order to support managers and EAS in ensuring appropriate training and oversight for the new control owner. In 2022, EAS conducted a three-year lookback of control deficiencies to identify common elements and trends, the results of which were shared with the Exelon Board's Audit and Risk Committee, as well as management teams at ComEd and Exelon's other utilities through each utility's Risk Management Committee. As a result of that three-year lookback, EAS implemented a new training module that was completed by all control owners prior to filing the 2022 annual Form 10-K report in early 2023.

B. Summary of auditing procedures

EAS provides independent and objective assessments of governance, risk management, and control processes across Exelon, including ComEd. A significant portion of its work focuses on monitoring compliance with financial controls required by SOX, but it also evaluates a wide range of governance, risk management, and control processes throughout the organization.

EAS is a member of the Institute of Internal Auditors ("IIA") and adheres to the IIA's [International Standards for the Practice of Internal Auditing](#). Among other things, these standards require independence, professional competency, an Internal Quality Assessment and Improvement Program, and an External Quality Assessment Report ("EQAR") conducted by a qualified independent external party every five years. EAS shares the results of both the Internal Quality Assessment and Improvement Program and the EQAR with the Audit and Risk Committee of the Exelon Board. Exelon's most recent EQAR was completed by Deloitte in February 2023.

Through its work, which ordinarily is structured according to a defined audit engagement process that follows the IIA framework, EAS tests compliance with established internal controls and processes, including controls to ensure the accuracy of Exelon's books and records, certify the appropriate uses of corporate assets, and mitigate fraud risk. It also

regularly tests compliance with internal controls and processes designed to ensure compliance with legal and regulatory obligations. In carrying out its assurance function, EAS identifies governance, risk management, and controls weaknesses, and tests and monitors implementation of changes to correct identified weaknesses. EAS also conducts a limited number of “enablement” engagements, in which it supports business teams seeking to address governance, risk, and control challenges identified by the business team or during assurance engagements.

EAS plans its engagements through a risk-based process incorporating a wide range of inputs, including information provided by Compliance & Ethics, Exelon’s ERM function, and business teams at ComEd and elsewhere. This planning process results in an annual audit engagement plan, which is reviewed and approved by the Audit and Risk Committee of the Exelon Board and adjusted as developments warrant over the course of the year. EAS documents the results of its audits in written reports, which are shared with business stakeholders, and it tracks remediation of control deficiencies, reporting to the Audit and Risk Committee on the status of remediation efforts.

In 2022 EAS initiated a Rapid Risk Assessment process, which allows for focused assessments of the control environment in specific areas, with the goal of determining whether deeper engagement is required. This process has enabled EAS to expand the number of areas that it touches on a regular basis and more effectively deploy its resources for full audit engagements.

EAS maintains a data analytics team that supports audit engagements and ICFR testing and assists in investigations of suspected fraud. EAS has expanded this team’s role in recent years to support EAS teams in making data analytics a routine part of their audit work and to take the lead in complex analytics projects, including matters relating to assessing the effectiveness of compliance controls and providing support to compliance and ethics investigations.

Exelon’s Chief Audit Executive reports quarterly to the Audit and Risk Committee to discuss internal audit activities and observations, and as part of that report provides summaries of all completed audit engagements, including detailed summaries of significant engagements and findings, as well as the remediation of findings.

Compliance & Ethics and EAS jointly lead Exelon’s Anti-Fraud Program. The Anti-Fraud Program provides targeted training for Compliance & Ethics and EAS staff, business teams, project managers, and others on preventing and detecting both internal and external fraud, waste, and abuse. Anti-Fraud Program staff members also assist with investigations of suspected fraudulent conduct, partner with business teams to strengthen controls against fraud, and share controls-related insights from investigations. EAS routinely incorporates reviews of fraud risks and controls into its audit engagements.

Exelon has adopted the Three Lines Model, promulgated by the IIA and updated in 2020, for supporting strong governance and risk management. Exelon uses this model to allocate responsibilities for governance, oversight, and assurance across business units, Compliance & Ethics, ERM, and EAS.

C. Explanation of how ComEd's financial accounting and controls processes are reasonably designed to ensure:

1. Fair and accurate books and records;
2. Financial statements are prepared consistent with GAAP; and
3. Transactions are recorded in a manner that maintains accountability for assets (defined as ensuring that assets are used in a manner that is authorized and for company purposes)

ComEd and Exelon have an extensive system of financial and accounting controls designed to ensure fair and accurate books and records, the preparation of financial statements consistent with GAAP, and that transactions are recorded in a manner that ensures assets are used for authorized company purposes. This system includes controls throughout the expenditure cycle, from budgeting and authorization through vendor contracting, vendor management, and payment, as well as reconciliation and audit processes, and financial statement preparation. This system is reasonably designed to ensure the integrity of financial records and reporting, and accountability for assets, both at ComEd and for activities by ComEd affiliates that are billed to ComEd and vice versa. These steps are also part of the multi-layered process of review and verification of costs recoverable in rates.

Annual budgets are established for business groups and projects. These budgets are reviewed and managed by the Finance teams at ComEd and Exelon, respectively. Budgets establish spending limits, detailed by expense type.

When expenditures are to be made in connection with a specific project, such as an information technology project or a utility construction or maintenance project, the project and its budget must undergo a series of reviews, with the level of required review rising with the project's budget. Larger projects require approval of the ComEd CEO, ComEd's Board of Directors, and the Exelon CEO and Board of Directors. Each project has a designated project manager who is responsible for oversight, including oversight of expenditures.

Vendors are onboarded through procurement processes overseen by Exelon's Supply organization. These processes address, among other things, when competitive bidding is required and the processes by which it must occur; exceptions to the requirement for

competitive bidding; vendor qualifications and vetting; and vendor diversity. Vendor contracts are managed by Supply and the Legal Department that define vendor accountabilities and, when practical, include standard contract terms and conditions. All contracts require supervisory approval, with the level of the approval varying based on the value of the contract.

Payments to vendors must be supported by documentation, consistent with the approved budget, and authorized by the business representative responsible for oversight. Payment requests are reviewed and processed by the Supply and Finance organizations. Payments to external lobbyists and political consultants are subject to additional controls detailed in Exelon's [Due Diligence and Monitoring Procedure for Third Parties Engaged in Political Consulting and Lobbying Activities](#), adopted in July 2020 and available on Exelon's website.

During 2021 EAS worked with Exelon's Supply organization to develop a tool for use by managers to provide greater visibility into expenditures on corporate credit cards. This tool, deployed to ComEd in the fall of 2021, allows managers more easily to identify anomalous credit card spending by individuals and work groups, which supports accountability for expenditures made with company credit cards and compliance with company policies regarding credit card use. Supply has continued to enhance the capabilities of that tool, and in the Spring of 2023 made the tool available to leaders across Exelon.

ComEd's and Exelon's Finance teams regularly conduct reviews to ensure spending is appropriate and accurately recorded in the company's books. These reviews vary depending on expenditure type and amount, but include reconciling budgeted amounts with actual expenditures, testing the accuracy of allocations of expenses between capital and operations and maintenance accounts, and ensuring that sub-accounts have been properly consolidated.

As noted in Sections II (A) and (B) above, ComEd and Exelon maintain an extensive system of KFCs and EAS regularly assesses the design and effectiveness of those KFCs.

III. Assessments of Ethics and Compliance Risks

A. Description of process for assessing ethics and compliance risks

The annual compliance risk assessment process is foundational for Exelon’s Compliance & Ethics program. It identifies key areas of focus for Compliance & Ethics and the business, provides a framework for identifying and driving implementation of enhancements to Exelon’s compliance and control environment, and drives extensive communication about Exelon’s compliance environment across the business, including with senior executives and the Exelon and utility boards, as well as key operational personnel.

The compliance risk assessment process is organized around “domains” encompassing related groups of regulatory and legal compliance risks. For each domain, Compliance & Ethics convenes one or more workshops to bring together subject matter experts from across the business to discuss each risk domain in detail. The workshops are structured conversations, guided by pre-read materials and an outline prepared by Compliance & Ethics, and facilitated by Compliance & Ethics. The workshops:

- Review specific compliance risks identified within each domain and consider whether others should be added.
- Assess the control environment for each compliance risk as well as the domain in its entirety, including the relevant culture of compliance, and consider whether there are gaps or opportunities for improvement in policies, processes, controls, or culture;
- Evaluate risks of fraud and misconduct.
- Discuss recent compliance incidents both internal and external to Exelon.
- Review regulatory developments as well as business and operational changes.
- Consider resources to accomplish compliance functions; the adequacy of training and knowledge transfer practices; and challenges that personnel have encountered in accomplishing compliance objectives.

The compliance risk domains assessed in 2022 included:

- Securities regulation
- State commission obligations for electric utilities
- Mergers and acquisitions
- Information governance and protection
- Environment, health, and safety
- Human resources management
- Reliability, resiliency, and security
- Financial controls
- Interactions with public officials
- Workplace conduct

These domains are similar to those reviewed in the 2021 compliance risk assessment with three changes. Workplace conduct was added for 2022 to provide a greater focus on issues related to Code of Business Conduct violations concerning harassment, discrimination, and other workplace misconduct, and two domains relating to Exelon's nuclear and energy marketing business were eliminated because they were no longer relevant after the February 2022 separation of Exelon and Constellation Energy.

EAS participates in developing the workshops and in the workshops themselves, as does ERM for workshops involving areas of significant enterprise risk.

Following each workshop, Compliance & Ethics documents the discussion in a summary of observations and recommendations, which is circulated to participants for comment before it is finalized. Recommendations for compliance enhancements resulting from the workshops are tracked by Compliance & Ethics, which assists business teams as needed in developing implementation plans. One area of focus for Compliance & Ethics is in continuing to strengthen the process for tracking recommendations resulting from the workshops, to ensure that each recommendation has a clear owner, and that implementation plans and timetables are developed and potential obstacles to implementation identified and addressed.

After completing all the workshops, Compliance & Ethics prepares a summary report that identifies and communicates: (i) key insights from the risk assessment process spanning multiple compliance domains; (ii) the company's highest-priority compliance risks and mitigating actions; (iii) compliance risks that are primarily operational in nature and inherently high risk but have strong processes and controls and low incidence of violations; (iii) watch areas and emerging compliance risks; and (iv) key areas of focus for strengthening compliance practices across the company.

This summary is shared and discussed with senior executives at Exelon and in each business unit, including with the Risk Management Committees of each utility, the Exelon Board's Audit and Risk Committee, and the Boards of Directors of ComEd and Exelon's other utilities.

In addition to the annual compliance risk assessment, Compliance & Ethics and business functions responsible for performing compliance tasks periodically conduct focused reviews of compliance-related risks, policies, and controls. These reviews are prompted by a variety of factors, including audit engagements, observations from investigations of compliance and ethics incidents, and external events.

In addition, ComEd, like other Exelon utilities, regularly performs Apparent Cause Evaluations and Root Cause Investigations of significant operational and financial incidents. Compliance & Ethics participates in these investigations when they relate to compliance issues and uses the corrective action process associated with these investigations to drive

compliance improvements. Similarly, EAS regularly participates in these investigations when they implicate financial controls. Observations from these investigations also feed into the annual compliance risk assessment.

Senior personnel from Compliance & Ethics and EAS regularly participate in formal and informal meetings with industry peers and experts to ensure awareness of industry, technological, and regulatory developments relevant to their programs. These meetings, as well as membership in industry groups, allow Compliance & Ethics and EAS to benchmark Exelon's practices against industry standards. Information from these external activities feeds both teams' work, including the compliance risk assessment process and audit engagement planning.

B. Representation regarding assessment of ethics and compliance risks

Ethics and compliance risks for ComEd were assessed during 2022 as part of the enterprise-wide compliance risk assessment process described in Section III(A) of this Report, above. The results of that assessment were shared with ComEd's Board of Directors at its meeting in February 2023.

IV. Communications Regarding Internal Controls, Code of Conduct, and Related Procedures

A. Overview of process for communicating internal controls, code of conduct, and related practices and procedures to employees, directors, and external lobbyists, consultants, and business partners

ComEd and Exelon use a combination of formal training programs, communications, meetings, and online resources to provide employees and external lobbyists and political consultants with information about the COBC, internal controls, and related procedures. These communication methods are incorporated into a variety of business and oversight activities described in more detail below.

B. Training programs

1. Training related to COBC and other compliance topics

ComEd and Exelon provide training and guidance regarding the COBC, compliance policies, and related controls, practices, and procedures through multiple channels. These include on-line training for all employees on policies of broad applicability, such as the COBC; focused training on topics relevant to certain groups of employees; on-line access to Exelon's Management Model³; an annual conflict of interest certification process; and guidance from Compliance & Ethics accessible both directly and through the Help Line managed by Compliance & Ethics. (The Help Line is discussed in more detail in Sections IV(C) and VI, below.)

Exelon's COBC sets out company values, expectations, and requirements regarding the conduct of employees, officers, and directors. It is linked from multiple locations on Exelon's intranet, including the home page, and accessible to the public through ComEd's and Exelon's websites. (One planned 2023 initiative is to post QR codes in work sites linking to the Code of Business Conduct and the to the web portal for reporting ethics concerns and questions, to enhance accessibility of these materials for field personnel.)

All ComEd and Exelon employees must complete online training on the COBC within 30 days of beginning employment,⁴ as well as annual refresher training. The training is completed online and incorporates hypothetical scenarios, video and audio elements, and knowledge checks. It is conducted on a platform that tracks users' progress and certifies completion of training only after the user has viewed all the content. Certifications are retained in this platform. To receive credit for completion of the training, an employee must attest, "I have completed Exelon's Annual Code of Business Conduct Training and understand my obligations and responsibilities under the Code."

³ The Management Model is an extensive compendium of policies and procedures governing many aspects of the operations of Exelon and its utilities, including matters relating to compliance and controls.

⁴ The 30-day completion requirement for new employees was temporarily paused during the first half of 2022 to allow for completion of comprehensive updates to Exelon's COBC and related training.

Annual COBC training begins with a message from Exelon's CEO and a statement of Exelon's values and commitment to integrity. It includes sections on employee responsibilities, making ethical decisions, safety, workplace conduct and harassment, diversity, equity and inclusion, conflicts of interest, gifts and entertainment, the importance of maintaining accurate records, protecting Exelon's assets, information security, competing with integrity, interactions with government officials, bribery and corruption, use of social media, and environmental stewardship. Compliance & Ethics tracks and ensures completion of both new employee and annual COBC training.

External members of ComEd's and Exelon's Board of Directors receive the COBC and individual training on interactions with public officials when they are onboarded and have an introductory meeting with Compliance & Ethics. While external directors are not required to complete the annual refresher training required of employees because of the limited nature of their activities, they receive regular information about compliance matters and procedures through updates on compliance topics at board and committee meetings. Directors who are Exelon employees participate in the annual COBC training required of all employees.

In addition to annual COBC training, all employees complete online trainings on preventing sexual harassment, physical and information security, and avoiding phishing schemes within 30 days of joining the company and annually thereafter. These trainings are delivered and tracked through the same online platform used for COBC training. New ComEd first-line supervisors are required to participate in a two-week intensive training program that includes an ethics and compliance component and a legal component addressing, among other topics, managers' responsibilities for compliance and culture, reporting requirements, the investigations process, workplace conduct issues, managers' obligations under collective bargaining agreements, conflicts of interest, and the prohibition against retaliation.

Exelon provides a wide range of other compliance training and communications to employees. In addition to the training discussed below relating to Exelon's policies governing interactions with government officials, regular compliance training and communication topics include insider trading restrictions, accounting rules and procedures, environmental requirements, and procedures for protecting sensitive information. Some of this training is live, and some is on-line. Tailored training is delivered to the groups for which it is relevant.

One significant training initiative during 2022 involved the launch of online training on enhanced controls for the use of corporate credit cards and Exelon's updated expense management policy. The training, developed by Exelon's Supply organization, is mandatory for all officers and employees of Exelon and ComEd who are authorized to make purchases with corporate credit cards for goods, services, travel, or entertainment, and all employees who submit out-of-pocket expenses for reimbursement.

Each year, all Exelon employees not represented by unions⁵ are required to certify that they have disclosed conflicts of interest involving Exelon, are not aware of any conduct not previously reported that violates the COBC or other Exelon policies and have reviewed and are in compliance with the COBC. Compliance & Ethics tracks these certifications to ensure completion and reviews all disclosures and follows up as appropriate.

2. Training and guidance relating to policies on interactions with public officials

ComEd and Exelon continue to devote substantial effort to training employees, officers, directors, and external lobbyists and political consultants on Exelon's policies on interactions with public officials that were adopted in June 2020. Training methods and content have been tailored for different audiences, with an emphasis on live training of individuals in sensitive roles to emphasize the importance of the training and allow an opportunity for questions and discussion:

All employees: Although only a small portion of ComEd's and Exelon's employees have responsibilities that involve interacting with public officials or would involve responding to requests, recommendations, or referrals from public officials, ComEd and Exelon have provided information about the policies and emphasized their importance to all employees through corporate communications and by incorporating training on the policies into the annual online COBC training. Additionally, a Frequently Asked Questions document regarding the policies is available on the Compliance & Ethics intranet site, along with the policies themselves and training materials.

Employees involved in or managing lobbying and political consulting work:

Employees directly involved in lobbying or political consulting, or managing employees or contractors with such involvement, attend live or review recorded training sessions that review the policies, with a particular focus on the requirements concerning due diligence and monitoring procedures for third parties engaged in political consulting and lobbying.

External lobbyists and political consultants: All external lobbyists and political consultants to ComEd are required to participate in training on the policies' requirements of external lobbyists and consultants. Training for ComEd's external lobbyists also covers campaign finance rules and preventing sexual harassment.

Employees who have contact with public officials but are not directly involved in political activities: Employees who are not directly involved in lobbying or political consulting work but have been identified as having roles reasonably likely to involve contact with public officials, or to involve handling requests, recommendations, and referrals from public officials attend live or view recorded training sessions that review each of the policies, their key requirements and processes, and the importance of adhering to them. This includes members of ComEd's senior executive, Government

⁵ As a general matter, field, operations and maintenance, call center employees, and clerical staff are represented by unions.

Affairs, and External Affairs teams, as well as Regulatory Affairs, Large Customer Service, Supply, Human Resources, and Legal personnel.

Directors: All members of ComEd's and Exelon's boards of directors receive live training on policies related to interactions with public officials as part of their orientation.

Initial training on the policies was conducted from August through December 2020. Refresher training was conducted in 2021 and 2022. Participation in this training is tracked and logged to ensure completion.

C. Other means of communication regarding ethics and internal controls

ComEd and Exelon use a variety of means beyond formal training programs to communicate about ethics and internal controls with employees, directors, external lobbyists and consultants, and business partners.

Compliance & Ethics and EAS maintain high levels of visibility within ComEd and Exelon. They maintain intranet and SharePoint pages and their members participate on committees and working groups across the company, speak at leadership and employee meetings, and send employee communications on topics relating to compliance, ethics, and controls. Both Compliance & Ethics and EAS encourage employees to contact them directly with questions and concerns, and regularly provide informal advice and guidance.

Compliance & Ethics monitors a dedicated mailbox for ethics questions and concerns, and as noted above, Exelon maintains a 24/7 [Help Line](#) portal for seeking guidance and reporting concerns, operated by a third-party vendor. The Help Line portal includes both a toll-free phone number and an option to ask a question or make a report online. Employees, as well as vendors and members of the public, may ask questions and make reports anonymously. The Compliance & Ethics team can actively communicate with anonymous reporters via a pin and password system. All requests for guidance and reported concerns are reviewed and responded to by Compliance & Ethics. The portal is accessible through the intranet as well as both ComEd's and Exelon's websites, and access to investigative information is strictly controlled.

ComEd and Exelon regularly reinforce expectations regarding ethics and controls for managers. Section V of this report, below, provides examples of settings in which senior executives and directors have reinforced these expectations.

Exelon's ERM team organizes quarterly Risk Management Committee meetings for the senior management teams of ComEd and Exelon's other utilities. These meetings include regular updates on compliance and controls observations and trends provided by Compliance & Ethics and EAS personnel.

Compliance & Ethics provides quarterly reports to the Exelon Board's Audit and Risk

Committee and ComEd's Board of Directors regarding interactions with public officials and implementation of related compliance controls. These presentations, which are attended, respectively, by members of Exelon's and ComEd's senior management teams, ensure oversight of these issues remains highly visible.

Exelon and ComEd leaders regularly participate in corporate-level discussions of ethics, compliance, and control issues in other forums, including Exelon's Executive Committee, a peer group of government relations leaders across the company, and other peer groups and functional area meetings.

Exelon and ComEd have strong policies governing the retention and oversight of external lobbyists and political consultants. These policies require regular communications that also serve control purposes, including twice-annual lobbyist performance evaluations, the submission and review of detailed invoices that incorporate descriptions of activities completed for the billing period, and periodic refreshing of due diligence documentation.

For all vendors, Exelon and ComEd provide the Supplier Code of Conduct at the time of onboarding and at two-year intervals thereafter. (Prior to the launch of the Supplier Code of Conduct in February 2022, vendors received the Code of Business Conduct.) The terms and conditions in Exelon's vendor contracts, which previously required compliance with the COBC, now incorporate and require adherence to the Supplier Code of Conduct.

V. Efforts by Senior Management and Directors to Provide Strong, Explicit, and Visible Support for Corporate Policy Against Violations of State and Federal Law

ComEd's and Exelon's senior management and directors provide strong, explicit, and visible support of the company's commitment to compliance with state and federal law in multiple ways.

Gil Quiniones, who joined ComEd as its CEO and a member of its Board of Directors in November 2021 after serving as president and CEO of the New York Power Authority, has made ethics and integrity an important priority. He repeatedly has emphasized the importance of compliance with legal and ethical responsibilities during employee, management, and ComEd board meetings, as well as in written and video communications with employees. Mr. Quiniones has been a strong partner for Compliance & Ethics and EAS, as have other members of ComEd's senior leadership, including ComEd's President and Chief Operating Officer, Terence Donnelly, its general counsel, Glenn Rippie, its Chief Financial Officer, Lisa Graham, and its Chief Human Resources Officer, Jaclyn Trovato.

Similarly, Exelon's new CEO, Calvin Butler, who succeeded Chris Crane as Exelon's CEO and the chair of ComEd's Board of Directors in January 2023, has continued and expanded on Mr. Crane's strong and visible support for Exelon's compliance policies. He has been joined in these efforts by Exelon's senior management team and directors. ComEd's and Exelon's senior management and directors have focused on promoting a strong culture of ethics and compliance among both Exelon's management and line employees and making clear the responsibility of managers to drive a culture of accountability on ethics and compliance issues throughout their reporting chains.

Examples of ways in which ComEd's and Exelon's senior management and directors have done this during 2022 and the first quarter of 2023 include the following:

- Beginning in early 2022, Mr. Quiniones asked representatives from Exelon's Compliance & Ethics team to provide monthly updates at ComEd senior staff meetings.
- In March 2022, Mr. Quiniones devoted a half-day meeting of ComEd's mid-level and senior managers to ethics and culture issues, with presentations that included:
 - A discussion with Mr. Quiniones and ComEd Board of Directors member Zalduaynaka Scott, moderated by David Glockner, Exelon EVP for Compliance, Audit, and Risk, on the importance and challenges of building a strong ethical culture;

- Scenario-based training on identifying conflicts of interest, presented by ComEd's Chief Human Resources Officer, Jaclyn Trovato, and Neena Hemmady, ComEd's Vice President for Support Services; and
 - A presentation from Mr. Glockner on compliance program developments and lessons learned from compliance incidents.
- In June 2022, in connection with the launch of the annual ethics training campaign, Mr. Quiniones recorded and sent a video message to all ComEd employees stressing the importance of the training. Mr. Quiniones was featured in the video completing his required ethics training. For the 2023 training campaign, he plans to partner with Compliance & Ethics to support a "Compliance Call to Action" asking managers to set aside time for employees to complete their annual ethics training during the first month of the campaign. ComEd will work with Compliance & Ethics to provide additional messaging about compliance resources and maintaining a "Speak Up" culture.
 - In October 2022, Mr. Quiniones participated in a panel discussion at a meeting for ComEd mid-level leaders on the role of managers in building a strong compliance and ethics culture. He was joined by ComEd Board member Ricardo Estrada and ComEd's Chief Human Resources Officer, Jaclyn Trovato, and the discussion was moderated by Mr. Glockner.
 - In Q2 of 2022, Mr. Quiniones made mandatory across ComEd the use of scenario-based training on ethics and compliance issues for employees. ComEd's Human Resources team and Exelon Ethics and Compliance developed scenarios based on actual ethics incidents from ComEd and elsewhere in Exelon to help employees learn to better recognize and more confidently address recurring ethics issues. ComEd requires all vice presidents, with the assistance of director and senior-level managers, to deliver this training at least quarterly to non-represented employees, and at least twice a year to represented employees. Mr. Quiniones and Mr. Glockner have met multiple times with ComEd's Government Affairs team, both together and separately, to discuss topics related to ethics, most recently in January 2023.
 - In January 2023, Exelon Board chair John Young opened a dinner attended by Exelon's directors and senior officers with a forceful statement about the importance of the company's commitment to ethical business practices and the responsibility of officers to ensure that commitment is embraced throughout their organizations.
 - Mr. Glockner has spoken twice at meetings of the ComEd cross-department team responsible for implementation of the Climate and Equitable Jobs Act, most recently in February 2023, to discuss topics relating to the DPA, the company's remedial actions, and ethics.

- In March 2023, Mr. Butler and Mr. Glockner sent a message to all Exelon employees announcing changes to link the company's performance management standards for employees more explicitly to expectations of employees regarding compliance and ethics. The changes emphasize the need for employees to foster a culture of commitment to high ethical standards, speak up about potential compliance and ethics concerns, and comply with Exelon's Code of Business Conduct.
- Mr. Butler has added a regular "compliance message" element to Exelon Executive Committee meetings, alongside existing safety and Diversity, Equity, and Inclusion messages, to reinforce to the company's senior leaders the importance of incorporating compliance and ethics themes into regular company activities and communications.
- Mr. Butler incorporated a panel on creating a strong ethical culture into the April 2023 annual leadership meeting for all Exelon and utility officers. The panel was moderated by Lewis Binswanger, ComEd's Senior Vice President for Governmental, Regulatory, and External Affairs, and included participation by Mr. Quiniones, Mr. Glockner, and Exelon General Counsel Gayle Littleton.

These efforts in 2022 and 2023 are complemented by longstanding practices to provide strong and explicit senior management support for Exelon's and ComEd's commitment to robust ethics and compliance policies. These include a written message from Exelon's CEO that appears at the beginning of Exelon's Code of Business Conduct, and a message from Exelon's CEO introducing the mandatory annual ethics training for all employees.

Additionally, both Exelon's and ComEd's Boards of Directors are actively engaged in oversight of Exelon's compliance program. Each meeting of the Exelon Board's Audit and Risk Committee since the Summer of 2020 has included a presentation addressing progress in implementing compliance improvements, as well as a presentation summarizing recent audit engagements and findings. Each meeting of the ComEd Board includes a report on compliance with policies on interactions with public officials, as well as significant compliance developments.

VI. Enforcement of Internal Controls, Code of Conduct, and Related Procedures

A. Summary of investigative and enforcement mechanisms

As noted above, Exelon maintains a 24/7 [Ethics Help Line](#) that allows employees, officers, directors, vendors, customers, and the public to report ethics concerns and potential legal or regulatory violations, as well as to ask questions and seek guidance. Information on how to contact the Ethics Help Line appears on the back of every employee's identification badge and is available on ComEd's and Exelon's websites and Exelon's intranet, where it is linked on the home page and the Compliance & Ethics page. Every other year, Supply and Compliance & Ethics send a letter to Exelon suppliers – including external lobbyists and political consultants – reminding them of their obligation to adhere to the Supplier Code of Conduct and providing information about the Ethics Help Line.⁶

The Ethics Help Line allows persons internal and external to Exelon to ask questions and raise concerns by phone or through a web portal. Reporters have the option to remain anonymous. Caller identification technology is not used. Additionally, Compliance & Ethics staff can post responses, including requests for more information, which the reporter can view and reply to by logging into the portal. The reporter also can call the Ethics Help Line and have the response read. All reporters are issued a case number and a confidential Report Key and password that allows the reporter to follow up on a report, even if the reporter has chosen to remain anonymous. Anonymous reporters also have the option to receive an email notice from the vendor (not visible to Exelon) that alerts them that the company has posted a response. This feature is new in 2023.

Reports also may be submitted directly to the Compliance & Ethics department via email or escalated via supervisors, CISS, EAS, or Human Resources personnel. Exelon's annual COBC training for all employees reinforces the process and multiple channels for seeking guidance and raising concerns.

Exelon's COBC includes a clear prohibition of retaliation for raising concerns in good faith, regardless of whether the concerns ultimately are substantiated. Training for managers and employees, including annual COBC training, reinforces the importance of Exelon's anti-retaliation policy.

All reported concerns are logged in a case management platform provided by the vendor that operates the Ethics Help Line. Reports are reviewed initially by Compliance & Ethics, which evaluates each report to determine whether it alleges a possible COBC violation and posts an initial acknowledgement or response to the reporter through the case management platform. If the report alleges a potential COBC violation, Compliance & Ethics assigns responsibility for the investigation to the appropriate investigation organization based on the nature of the

⁶ As noted above, in February 2022 Exelon released the Supplier Code of Conduct to specifically address obligations of suppliers. Previously, suppliers were required to adhere to the COBC, and communications referred to that document.

reported allegations. Most investigations involving ComEd are assigned to Human Resources, the Exelon Central Investigations Team (“CIT”), ComEd or Exelon Security, or are retained by Compliance & Ethics. Certain investigations are conducted by, or under the direction of, counsel from Exelon’s Legal Department and/or outside counsel. While to date there have not been any alleged violations of Exelon’s policies on interactions with public officials, such investigations would be handled by Compliance & Ethics and/or Legal, and/or referred to outside counsel depending on the circumstances.

The CIT, which is a unit within Exelon’s Human Resources department, handles most investigations relating to workplace conduct issues, including sexual harassment, discrimination, and employee relations at ComEd and Exelon. (A portion of these investigations continue to be handled by the relevant operating company’s Human Resources professionals.) Prior to creation of the CIT, investigations relating to these topics were assigned to Human Resources staff members based on the business unit or department where the report arose, and investigations were part of a broad portfolio of responsibilities. The creation of a smaller, dedicated investigative team has improved the consistency of investigations, allowed for more focused training on investigative procedures, and provided greater independence from management in these investigations.

In addition to resolving investigations, an important part of the CIT’s mission is identifying and sharing with business and Human Resources teams opportunities for strengthening Exelon’s workplace culture and improving specific management practices. Compliance & Ethics, Human Resources, and Legal coordinate to monitor matters handled by the CIT.

All investigations, regardless of who conducts them, are guided by written procedures. Investigative reports follow a standard template and are maintained in the case management platform. When an investigation substantiates a violation of the COBC, the outcome is documented in the case management platform, as are decisions about discipline. As further described below, discipline for COBC violations varies with the nature and circumstances of the violation, and ranges from coaching to termination.

On an annual basis, Compliance & Ethics shares with the Exelon Board’s Audit and Risk Committee, as well as the Risk Management Committees of ComEd and Exelon’s other utilities, an analysis of the data concerning matters referred to Compliance & Ethics, and provides information about trends in, among other things, the nature of allegations, the rates at which they are substantiated, and time to resolution. This data is analyzed both organization-wide and separately for each utility and Exelon’s Business Services Company. In addition, Compliance & Ethics shares available benchmarking data.

Exelon’s COBC includes a clear prohibition of retaliation for raising concerns in good faith, regardless of whether the concerns ultimately are substantiated. Training for managers and employees, including annual COBC training, reinforces the importance of Exelon’s anti-retaliation policy.

B. Incentives for compliance

All non-represented unit employees at Exelon, including at ComEd, are evaluated during each annual performance cycle on six core competencies, one of which is “Exhibits Courage.” In March 2023, Exelon revised this competency to link it more explicitly to expectations of employees regarding compliance and ethics. The revised competency emphasizes the need to foster a culture of commitment to high ethical standards, speak up about potential compliance and ethics concerns, and comply with Exelon’s Code of Business Conduct. Exelon’s core competencies are introduced to new employees during on-boarding and reinforced through each annual performance cycle. Exelon’s CEO and Executive Vice President for Compliance, Audit, and Risk introduced the change and emphasized its importance in a message to all employees.

Failure to uphold compliance and ethics standards may negatively affect an employee’s performance rating (among other consequences), which can reduce or eliminate an employee’s incentive compensation.

C. Disciplinary procedures for violations

Although ComEd and Exelon provide incentives for compliance with laws, regulations, and policies through training, fostering a strong compliance culture, and the performance management system, active enforcement of the COBC and Supplier Code of Conduct and appropriate sanctions for violations also are important elements of our compliance program.

When violations of laws, regulations, or the COBC are identified, ComEd and Exelon act to address the behavior, remedy any harm, and make needed adjustments to policies, procedures, or controls to reduce the likelihood of similar misconduct recurring. Employee discipline decisions are reached following the completion of the investigation. Minor and/or unintentional violations of the COBC often are addressed through documented coaching. More significant matters, including repeated violations, intentional misconduct, or conduct that poses a risk to safety of person or property, or risk of other serious consequences, typically are addressed through formal discipline, ranging from a reprimand to suspension or termination. Discipline decisions regarding COBC violations are made through a process that typically includes representatives from business unit management, Human Resources, Compliance & Ethics, Legal, and (if applicable) Security and Labor Relations. Discipline decisions for COBC violations ordinarily are reported to Compliance & Ethics and logged in the case management platform, which allows Compliance & Ethics to monitor them for consistency and quarterly reporting of significant matters to the Audit and Risk Committee of the Exelon Board.

The COBC provides information about potential sanctions for COBC violations, as well as for failing to report or delaying the reporting of violations, failing to cooperate with or obstructing investigations, retaliating against those who raise concerns or provide information, and providing false certifications.⁷

When investigations identify harm resulting from misconduct, or weaknesses in policies and procedures, Compliance & Ethics and other responsible business units work to ensure appropriate remediation. If, for example, inappropriate expenses are identified, ComEd's Finance team assesses whether control improvements are needed, and ComEd's regulatory affairs and legal teams conduct a review to ensure the expenses are not included in customer rates.

D. Ensuring fair and equal application of rules regardless of individual's position and importance

The COBC provides that "the Code will be appropriately enforced, regardless of the seniority, role or location of those involved in the misconduct."⁸ Exelon's policy governing investigating and resolving alleged COBC violations contains a similar requirement.

Through its oversight of the enforcement process for COBC violations across the enterprise, Compliance & Ethics has visibility into the investigation and resolution of all matters and promotes consistency in resolutions.

⁷ COBC, p. 20.

⁸ COBC, p. 20.

VII. Remediation Procedures

A. Summary of procedures to remedy harm resulting from misconduct in violation of Illinois law or regulation, including through discipline

ComEd and Exelon have numerous procedures to remedy harm that may result to customers, employees, or others from misconduct that violates Illinois laws or regulations. These procedures, described throughout this document, include maintenance of the Help Line to facilitate reporting of misconduct, training to help employees and third-party lobbyists and political consultants recognize potential violations and understand their reporting obligations, the investigative process and associated protections for its independence, the employee discipline process, and post-incident assessment processes. When investigations of misconduct identify inappropriate expenses or accounting treatment that could adversely affect customers, Compliance & Ethics and EAS work with ComEd's accounting, regulatory, and legal teams to ensure all necessary accounting and ratemaking adjustments are made and customers are protected from any resulting harm.

B. Procedures for logging violations of Illinois law and regulations as required by § 4-604(d)(2)(E)

Compliance & Ethics tracks violations of the COBC and their disposition and maintains a log of those matters in the ethics case management platform. Compliance & Ethics has designated a field in that platform to identify matters involving potential violations of Illinois laws or regulations. Compliance & Ethics separately compiles information about violations of law and regulatory obligations that do not implicate the COBC, based on information from specialized compliance programs, such as those focused on compliance with NERC, health and safety, and environmental obligations, or from regulatory compliance activities directly overseen by Compliance & Ethics. Together, these processes ensure ComEd's compliance with § 4-604(d)(2)(E).

C. Post-event assessments of controls and policies to determine need for modifications

Post-event assessments are an important part of ComEd's and Exelon's efforts to ensure a strong compliance and controls environment. These assessments take a variety of forms and are conducted by different groups in different circumstances.

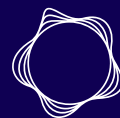
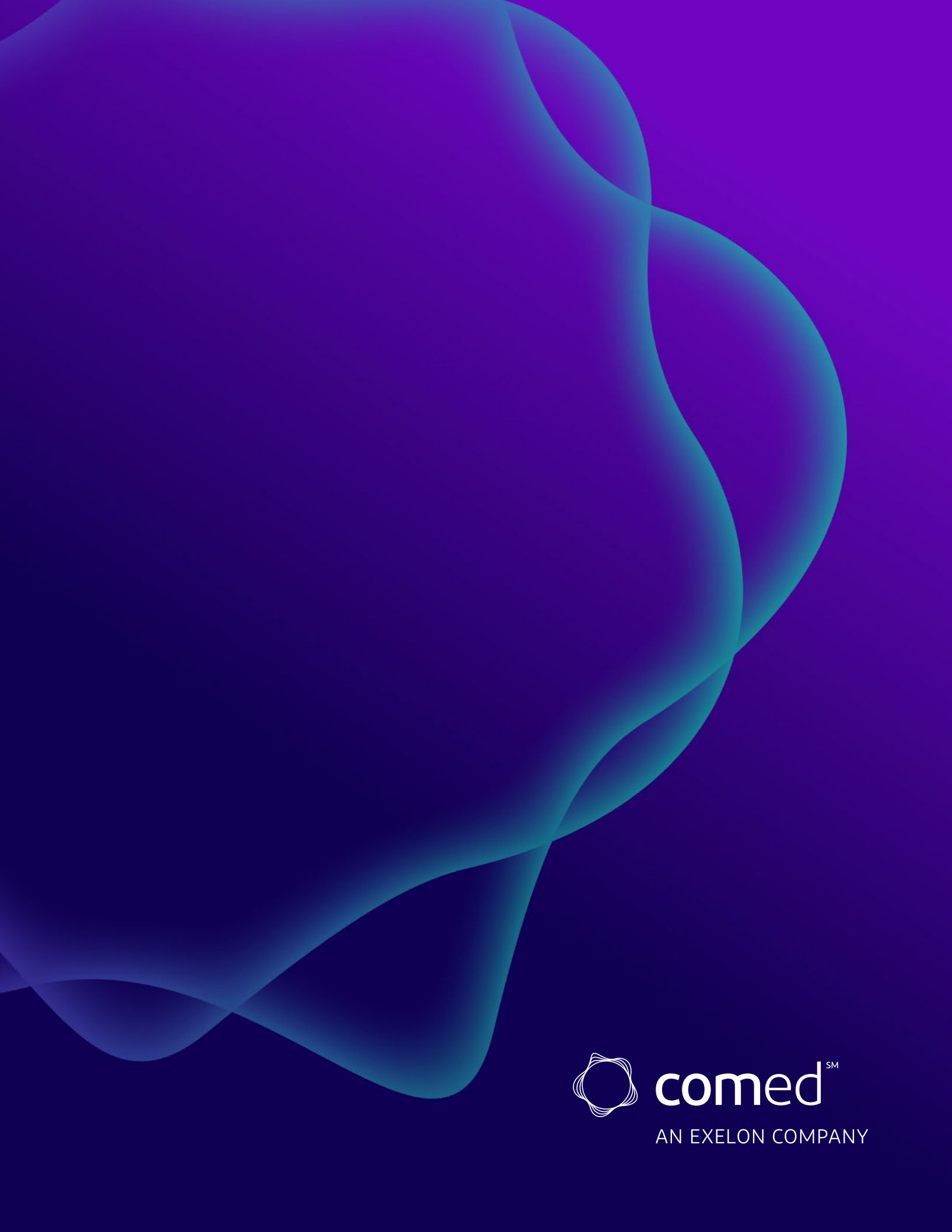
Compliance & Ethics and EAS routinely review incidents to identify opportunities for enhancements in controls, processes, and policies. Compliance & Ethics ordinarily leads

this work following compliance and ethics incidents, and EAS ordinarily leads following incidents implicating operational or financial controls. They frequently collaborate in these reviews.

In addition, Compliance & Ethics and EAS regularly participate with business teams in Apparent Cause Evaluations and Root Cause Investigations implicating compliance and controls issues and use those processes to identify and drive improvements.

The compliance risk assessment process, described above, incorporates reviews of significant recent compliance and controls incidents – both internal and external to Exelon – in each compliance domain to identify opportunities for strengthening controls, processes, and policies. The CIT, which investigates compliance and ethics incidents related to workplace conduct, regularly uses insights from its investigations to make recommendations regarding opportunities to enhance relevant controls, training, and management practices.

During late 2021 and early 2022, EAS, with support from Compliance & Ethics, conducted a review of control incidents during the last three years to assess Exelon’s control environment and identify patterns in causes and contributing factors that might not be evident from evaluating incidents in isolation, and to consider control, process, and policy improvements. Observations from that review were shared with Exelon’s Audit and Risk Committee, operating company Risk Management Committees, and with ComEd’s management team. EAS plans to conduct similar reviews at approximately two-year intervals, with completion of the next review targeted for early 2024.



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